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*Prospects for Economic Stabilization in Transcaucasus

954F1577A Moscow KOMMERSANT-DAILY in Russian 24 Feb 95 p 4

[Article by Georgiy Bovot: "The Transcaucasus Game: Every Move Is Forced"]

[FBIS Translated Text] *An international conference on peaceful resolution of the Karabakh issue is currently underway in Ankara, attended by delegations from 13 countries including Azerbaijan, Armenia, Georgia, Iran and Russia, as well as representatives of NATO and the CSCE's Minsk Group. The conference will also feature discussion of prospects for economic cooperation in the region. Is this not premature, as no major political agreement on Karabakh has yet been reached? Without such an agreement it would be naive, to say the least, to hope that investment will flow into the region. On the other hand, it is precisely the hope of the quite tangible economic dividends of peace that could prompt the currently hostile sides to curb their military zeal. And those dividends definitely have the smell of oil about them. The following commentary is from Georgiy Bovot.*

A War Near Oil Wells Cannot Last Forever

The most distinctive feature of the situation that currently exists in the Transcaucasus is that it will be impossible to implement a multibillion-dollar contract to develop Caspian Sea oil fields without peace between Azerbaijan and Armenia. It should be noted that one complication is the fact that the region has traditionally been an area of strategic competition between Russia, Iran, Turkey and the West. In that sense the two warring republics (if one does not count the self-proclaimed republic of Nagorno Karabakh) are not merely independent parties to the conflict, they are also subordinate players in a larger geopolitical game.

Russia lost the opening round: by concluding a contract with a Western consortium, Azerbaijan established the precedent of dividing up the Caspian Sea shelf unilaterally. The second round revolved around the route of the oil pipeline that would export oil from the Caspian Sea to Western markets. Moscow insisted, and continues to insist, that the pipeline cross Russia, or, more precisely, Dagestan and Chechnya, and extend to terminals in Novorossiysk. That option is definitely not to the liking of either Baku or Ankara. For years now (since the collapse of the USSR) Turkey has been waging a quiet but persistent struggle for *de facto* reorientation of the entire regional energy transportation system, something that must necessarily have far-reaching geopolitical consequences. Ankara's methodical efforts to regulate—it would be more correct to say "restrict"—the transportation of oil through the Black Sea straits on board tankers (which export oil from Novorossiysk) is only one part of this "oil campaign." Another part is the effort to build an oil pipeline from the Caspian Sea through its own territory. As for Azerbaijan, from the very start it has taken an implacable stance in opposition to the Russian route (no one should be deceived by the smiles lavishly expended by Geydar Aliyev at CIS summits and at bilateral talks with Moscow). Baku has only one argument, but it is a weighty one: no dependence on Moscow when it comes to the free flow of oil.

If You Cannot Beat Your Opponent, Buy Him Off

For a time Ankara's and Baku's passionate preference for the Turkish route was not shared by the other parties to the Caspian contract. The British, represented by British Petroleum, would not say either yea or nay. The American partners were equally tight-lipped, even though from the very start the Turkish route looked most preferable to all involved, except for Russia. The only "complication" was the fact that the planned oil pipeline would pass through an area where Kurdish Workers' Party fighters are active. But events in Chechnya have overshadowed that issue. Today hardly anyone is paying any attention to the arguments put forward by LUKoyl (i.e., why build a new pipeline from Azerbaijan if one already exists, though abandoned, the one through Budennovsk and Groznyy?). In this connection, a number of analysts assert that one of the objectives of the war in Chechnya was in fact to lobby in favor of the Russian route. Now it should be forgotten.

However, Washington has now decided to take a definite position, stating that it supports the idea of building the pipeline through Turkey. Ankara took the U.S. opinion as a signal to step up its own efforts. Turkish prime minister Tansu Ciller has met with Geydar Aliyev behind the scenes at the Davos forum to discuss precisely that issue. Soon he will visit Baku. At the same time, Turkey would like to increase its share of the contract. Ankara has already officially stated that it would like to see a share of 6.75 instead of 1.75 percent. Ciller's visit will take place under U.S. scrutiny and will be preceded by consultations at the U.S. State Department. The United States' maneuvering indicates a desire to make a very effective move, i.e. to provide an economic interest for Armenia.

That means that approximately the same formula might be applied to the Transcaucasus as the United States and the European Union are attempting to use (with varying degrees of success, it is true) in the Middle East. Washington is putting pressure on Ankara, trying to get it to open up a corridor through Turkey for humanitarian aid to western Armenia. And it exerts that pressure by using a purely economic incentive (something that is typical of American diplomacy in general): if Turkey refuses, it could be denied a $600 million dollar loan. Another factor capable of making peace in Karabakh a "warm" one for Yerevan (i.e. one that will yield economic dividends) could be the construction of the trans-Turkey oil export pipeline through Armenia. There are now quite a few supporters of this idea in Baku as well—they expect that Yerevan will make fundamental concessions over Karabakh in exchange for energy independence from Russia and peace with Azerbaijan. Again, that position is viewed sympathetically in Turkey as well. Many Turkish officials are coming out increasingly actively in support of developing trade with Armenia and opening up transportation routes. Calls for trade are interspersed with comments about how nice it would be if Armenia would renounce its one-sided orientation toward Russia. The most important thing is that the Armenian-Turkish route could be precisely the sought-after compromise between Moscow, Ankara and Baku. A Georgian-Turkish route is another version of that compromise. In any event, during a recent visit to London Eduard Shevardnadze offered his services in that direction. Moscow could be attracted to these options by the fact that its strategic interests are met much better both in Georgia and in Armenia than in Azerbaijan, which has stubbornly resisted a Russian military presence within its territory.

Uncle Sam and the Iranian Mullahs: The Story of the "Sleeping Partner"

Iran continues to present a separate problem for the contract. Iran previously figured as a possible pipeline route, in the event that it was decided to bypass Armenia after all. True, Washington's sharply negative reaction buried that plan. But the issue of Iranian participation in the oil contract itself has not yet been resolved. After Azerbaijan's GNKAR [State Oil Company of the Azerbaijan Republic] decided to transfer its 20-percent share to Iran, citing insurmountable financial circumstances (it had no money to pay its contribution to the contract), an outcry went up in Washington. Baku was motivated not only by financial considerations: it was politically important to interest Teheran in order to prevent it from forming a bloc with Moscow to forbid unilateral division of the Caspian Sea shelf (the principle that it must be used jointly by all adjoining countries was articulated in two Soviet-Iranian treaties).

Now Iran is clearly not going to be a full partner in the consortium—if that happens, the United States has threatened to withdrawn from it altogether. In purely legal terms, the issue looks like this: U.S. companies are not forbidden by law to maintain business relations with Iran, something that its participation in the consortium would technically entail. But if that is the case they do not have a right to government financial support, specifically tax breaks or loan guarantees from the U.S. ExIm Bank. Furthermore, the United States would be required to vote against international financial organizations (the World Bank, for example) extending loans for this project. In political terms, it is even simpler: Teheran and Washington are enemies.

But it is clear that the door will not be completely closed to Teheran, especially since the British are not nearly so dead set against the Iranian mullahs. Apparently habits acquired during decades of British presence in the region are at work. Baku is working on this plan: Iran would become a consortium member with the rights of a "sleeping partner" (the expression used by Ilgam Aliyev, vice-president of the GNKAR). It would not have a deciding vote, and it would not be a member of the board, but it would exert political influence through the GNKAR and receive a share of the profits.

But if Iran does not become a party to the contract, Azerbaijan's financial problems remain. Today there is talk not only of selling one-fourth of Azerbaijan's share (the amount proposed for transfer to Iran in exchange for it paying the contribution expected from Azerbaijan), but instead virtually the entire Azerbaijani share. The GNKAR is supposed to contribute $1.4 billion but is in a state of bankruptcy and not even capable of paying $5 million as its portion of expenses for the current quarter. Scenting prey, Western firms are circling over Azerbaijan's share: Exxon, Shell, Mobil, Elf Aquitaine and Agip are vying with each other to offer their services and find ways to Geydar Aliyev's heart. In principle, the republic's entire share could be sold to a holding company. Baku will get up to 80 percent of the profits regardless of the share held by the GNKAR. With projected production of 600,000 barrels per day and revenues of up to $500 million per month, that is not too shabby. Western firms have an incentive in that the initial outlays required to begin production will not be that large. Reserves of 3.5-4.5 billion barrels were already discovered during the Soviet period, so the need for exploration will be small at first. And the sea is not deep in the areas where new wells will have to be drilled.

One way or the other, there is probably much less economics than politics involved in all these stratagems. And any decision, whether in regard to the pipeline route, the consortium membership or the buyers of Azerbaijan's share, is doomed to be a political one. Yet peace in Karabakh is impossible without a solid economic foundation.

Economic Issues

*Report on New Package of Yeltsin Signed Economic Edicts

954E0659A Moscow KOMMERSANT-DAILY in Russian 2 Mar 95 pp 1,2

[Article by Viktor Ivanov and Vladislav Borodulin: "'Boris Yeltsin Signed Profound, Powerful and Particularly Reform-Minded Edicts'"]

[FBIS Translated Text] **This was precisely how Aleksandr Livshits characterized yet another of the "president's economic packages," released after a 5-month hiatus. Package thinking is stubbornly bucking for immortality—partly in connection with its obvious propaganda effectiveness: A new package can always be offered up conveniently as another phase of economic reform. Nonetheless, despite the fact that it was put together in large part just for show, this package does have real symbolic merit. It is essentially the last gasp of the ideology that was set forth as the basis of the memorandum on the Russian government's economic policy, presented to the IMF early last fall and oriented predominantly on solving the problems of forming the 1995 budget. By taking steps to fight inflation and provide for the income side of the budget, the government is laying the foundation for reaching the goals of the next phase, the essence of which is expressed in the president's message in the traditional slogan style: "From an Inflationary Past to a Future of Investments."**

Repeal Of Concessions: Promised Once Again, But Still Improbable

The edict "On Measures to Tighten Financial Discipline In Execution of the Federal Budget" appears extremely radical. It establishes that the government does not have the right to independently make decisions that increase budget expenditures or reduce income, and in particular, to grant concessions in regard to payment of taxes and customs charges. Such decisions may be made only by a means of a presidential edict, which must contain computations specifically showing that these decisions would not be detrimental to the budget. The Ministry of Finance is directed to present a proposal to the government within 2 weeks' time on rescinding earlier government decisions requiring budget expenditures not foreseen by the federal budget for 1995. Moreover, within 2 weeks' time the government must not only review its decisions to grant tax and customs concessions, but also submit proposals on repealing tax concessions offered by the president himself if they run contrary to the new budget. Aleksandr Livshits conveyed the general meaning of the edict yesterday as follows: "No one has the right to adopt decisions undermining the budget."

Signing this edict at this particular time has a totally obvious practical goal. Quick adoption of the draft federal budget in its third reading late last week has almost convinced the IMF of the effectiveness of the new Russian budgetary policy: The government is no longer very doubtful of obtaining credit from the fund amounting to $6.2 billion. However, it still had to be demonstrated to the IMF that the approved budget indicators would in fact endure. This is precisely why the edict emphasizes so insistently that the president will not permit any new government decisions increasing budget expenditures and reducing income; moreover, earlier decisions not in keeping with the approved budget indicators will be rescinded. As Aleksandr Livshits stated, the list of such decisions subject to recision is already almost ready. It would be worth noting in this connection that after 3 years in power, Russian liberals have finally learned how to correctly word their decisions, which encountered such strong opposition in the beginning. The possibility of bureaucratic obstruction is reduced in this case by a precise indication of the deadlines for submitting the lists of decisions subject to recision.

However, everything turns out to be somewhat more complex from the standpoint of economic policy. The fact is that a decision making it impermissible to increase budget expenditures and to grant individual tax and customs concessions has been made practically every year up until now. Nonetheless, each time it has been clear that the authorities would be unable to deny support to ineffective Russian enterprises, which would require either additional budget infusions or concessions (chiefly foreign economic concessions). Strange as it may seem, this year the situation has only grown more complicated. In his message to the parliament, for practical purposes the president has signaled a shift in priorities in economic policy: The state no longer intends to avoid responsibility for the economy, and it must help the enterprises with investment resources. Thus in and of itself, stabilizing the budget (that is, reducing expenditures and increasing income) has generally been placed on the back burner. Roughly speaking, the suggestion is lay responsibility for the budget upon international financial organizations, which must provide credit to cover the budget deficit; on its part the state must focus on eliminating the investment crisis and creating a competitive economy. Consequently it would hardly be worth discussing the notion that the authorities will in fact be able to observe any kind of moratorium this year on expansion of budget expenditures and on the granting of concessions.

It is noteworthy that the issue of repealing existing concessions to enterprises has already evoked a debate in the parliament. In its concern for the budget, last week the Duma readopted a law repealing foreign economic concessions granted by the government and president, even though the Council of the Federation did not agree to this law. The upper chamber noted quite reasonably that repeal of customs concessions would be a blow to foreign investors, who aren't all that interested in Russia even without this. Moreover in the opinion of the Council of the Federation, foreign economic concessions are the sole means of existence for many enterprises and organizations; their repeal would evoke dissolution of already-signed foreign trade contracts and bankruptcy of enterprises on a massive scale. Yesterday's appeal to the president from all-Russian organizations for the disabled, which stated outright that customs concessions are the principal means by which societies for the disabled are able to carry out social programs, and which demanded veto of this law, is an extremely unique confirmation of this thesis.

Regions Oppose Second Price Revolution

The Russian government was compelled to address the idea of deregulating price policy late last year when negotiations for new credits from international financial organizations were started. However, officials have a different interpretation of the reasons behind the advent of the presidential edict "On Measures to Organize State Regulation of Prices (Tariffs)": Anatoliy Chubays called this decision "a step across another threshold faced by Russian economic reforms." One way or another, price regulation has become a serious obstacle for the federal government in negotiations with the IMF. Experts of this organization feel that distributing 20-24 percent of the GDP at regulated prices is too much for a country applying for its assistance. As for how revolutionary the actions of the authorities might be, this is an extremely relative question: Fulfillment of the edict in its entirety will not reduce the level of the economy's regulation very much. According to predictions made by Anatoliy Chubays himself, it will be 15-16 percent of the GDP.

The essence of the edict signed by the president is actually very simple: Any administrative regulation of prices is forbidden, except in relation to a certain range of goods limited by the government. This list has already been discussed at meetings of the government last year, and in the words of Anatoliy Chubays, they will make their appearance in a day or two after some minor changes. These documents essentially pertain mainly to local and not to federal authorities. Judging from the draft government decree, Moscow is to be left with an extremely limited range of goods whose producers fall within the action of another edict, published just yesterday—"On Some Measures of State Regulation of Natural Monopolies in the Russian Federation."

According to this edict three independent federal services must be organized—something like what exists in the USA. It will be within their competency to regulate all aspects of the activity of natural monopolies, including price setting as well. Thus the latter is taken out of the direct control of sector ministries. Theoretically this should slow the growth of the prices of products and services of natural monopolies, which may be portrayed by the Russian government in the short term as an anti-inflation measure. Though in the broad sense, this should be understood as a certain counterweight to liberalization of prices in other sectors of the economy.

Of course from a practical point of view this liberalization is to occur only in formal terms. The limits on profitability repealed by the edict on price deregulation, which have existed to this date in petroleum extraction and refining (50 percent and 10-20 percent respectively), are but an empty formality, inasmuch as it has already been a rather long time that the enterprises haven't been able to reach the maximum level of profitability (to a significant degree owing to the magnitude of defaults). Nonetheless, the Ministry of Economics believes that lifting the latter restrictions would cause the price of gasoline to almost double within a year. Yuriy Shafranik refers to this decision as a "shock." All of this would be true on one condition—that local administrations fulfill Boris Yeltsin's edict unquestioningly.

The key role played by local administrations in the edict's fulfillment is explained by the fact that they are the ones that are responsible for the bulk of administrative price setting. According to data of the Russian government's Center for Economic Conditions, local authorities have imposed controls on the prices of almost all foodstuffs and a fourth of nonfood goods. In this case the most popular method of artificially restraining prices was to limit trade markups. Limiting the profitability of production was significantly less popular. And in general, direct price subsidies and establishment of maximum prices were not used for practical purposes, which is entirely natural: The subsidies are too expensive for local budgets.

At the same time a survey conducted by KOMMERSANT-DAILY showed that only an insignificant number of heads of local administrations support the "reformist" activity of the federal authorities. They justify their position by saying that regulation of prices makes it possible to restrain their growth and thus ensure social stability in the regions. Official statistics show that the rates of growth of free and regulated prices are practically the same: Thus, in 1994 the indexes of regulated and free prices of food were 321 percent and 314 percent respectively. However, because the regulated prices were initially understated, their absolute values continue to differ rather strongly. Therefore, the possibility of using low prices as a political factor (which is especially important in the year of parliamentary elections) is by itself a serious temptation to ignore the Kremlin's decisions. All the more so because even from a theoretical standpoint the edict does not presuppose introduction of any kind of sanctions against administrations that violate pricing discipline. For the time being, Aleksandr Livshits is prepared to meet the opposition of the regions by a very traditional Russian approach that may be stated as "We'll solve it somehow."

Reactions of Local Authorities to the Edict on Liberalization Of Prices

Saratov Oblast administration price administration chief Vasiliy Fetisov: "The executive government of an oblast existing as a subject of the federation must have the right to independently determine the list of goods and services for which introduction of state prices controls would be required. Adoption of the edict and the government decree in the conditions of falling production will spur another increase in prices."

Yaroslavl Oblast first deputy governor Anatoliy Barakin: "It is extremely important for us to regulate maximum profitability levels in production of petroleum products, defense products, baby food, and of thermal energy in the oblast's boiler houses, in freight carriage by all forms of transportation, and in rendering services associated with selling fuel to enterprises, organizations and institutions. We feel it necessary to preserve and even expand the powers of oblast administrations in matters of price and tariff control. Thus, in order to restrain growth of the prices of socially important goods, we need to introduce control (coordination of wholesale prices with the oblast administration) in relation to the products of monopolistic enterprises at the oblast level. The document's publication will lead to dramatic growth of prices and complication of the social situation, local conditions will be disregarded, and it will become impossible for the oblast administration to influence the economy by the levers of price policy."

Samara Oblast administration price policy administration chief Aleksey Bessmertnov: "The limit placed by federal authorities on the list of goods and services whose prices could be regulated locally is a positive phenomenon, inasmuch as it reduces the number of subsidized goods and services. But on the whole, we need to make a transition to the complex mechanism of a system of targeted subsidies."

Sample List of Products With Prices Subject to State Regulation by Federal Bodies of Executive Government

Natural gas, by-product petroleum gas, dry gas subjected to gas-gasoline processing, a wide fraction of volatile hydrocarbons, liquefied gas for household needs; electric and thermal power (except that produced by regional power supply organizations); pipeline transfer, transhipment and bulk transfer of petroleum; defense products; precious metals and alloys; rolled metal, industrial articles, and gear-cutting products made from precious metals, scrap, and wastes from them; crude diamonds and gems; freight carriage, freight handling operations in rail transportation; carriage of passengers, baggage and mail by rail transportation (except commuter traffic); freight handling operations at ports and port charges; services of the icebreaker fleet; services to aircraft (including air navigation services), passengers, and freight at airports; services of postal and electric communications, and communication services associated with relaying the programs of Russian state television and radio organizations, as per a list approved by the government of the Russian Federation.

Sample List of Products With Prices Subject to State Regulation by Local Authorities.

Electric and thermal power supplied by regional power supply organizations (the rates are regulated by regional power commissions); carriage of passengers and baggage by all forms of public transportation on city lines, including rapid transit; payment of charges for housing and municipal services provided to the population, and for ritual services; services of water supply and sewage disposal systems; solid fuel, household stove fuel and kerosene sold to the public; the services of postal and electric communication as per a list approved by the government; trade markups on the prices of pharmaceuticals and medical articles.

Sample List of Services in Relation to Which Local Authorities May Introduce State Regulation of Rates and Markups.

Supply, marketing and trading markups on products and goods sold in regions of the Far North and equivalent locales with limited freighting seasons. Markups on products (goods) sold in public food services enterprises at schools of general education, vocational-technical schools, and secondary special and higher educational institutions; trade markups on the prices of baby food products (including food concentrates); carriage of passengers and baggage by rail transportation on suburban lines in coordination with the RF Ministry of Railways, and on the condition of compensation for losses arising due to regulation of rates out of the corresponding budgets of subjects of the federation; carriage of passengers and baggage by motor transportation on interoblast (interrepublican within the RF) routes and by taxi; carriage of passengers and baggage by local airlines and river transportation on local lines and ferry crossings; carriage of freight, passengers, and baggage by sea, river and air transportation in regions of the Far North and in locales equivalent to them; services rendered by industrial rail transportation enterprises on approach lines.

The Place of the New Edicts and the President's Economic Policy.

It is rather unique. All measures foreseen in them (as well as in other edicts of this same package presently being prepared for signature—for example on eliminating special exporters and on competitive access to pipelines) are a literal fulfillment of promises made in the Memorandum on Economic Policy sent to international financial organizations in the beginning of fall 1994. In this sense the edicts may be interpreted as the last echo of the former economic policy of Russian authorities which was characterized (in full correspondence with the rules of the IMF) by maximum reduction of the state's interference in the economy and by stabilization of the budget as the main priority.

In Russia's present economic policy, formulated in the president's 1995 message, the accents are distributed differently: The state must expand its influence on the economy, surmount the investment crisis, and ultimately shift Russia's foreign trade orientation from raw materials to a more up-to-date orientation. However, it should be remembered that the possibility itself of making such changes in the interpretation of the state's role in the economy arose in connection with the hopes that loans from financial organizations will help the state to surmount the budget crisis. Unless the promises made to the IMF are fulfilled, there can be no discussion of loans. In this sense the new edict established the "material base" for the economic policy of 1995.

*Work of Currency, Export Control Service Examined

954E0664A Moscow DELOVOY MIR in Russian 23 Feb 95 p 3

[Article by Vladimir Baydashin, head of the VEK of Russia press service: "Currency Control—An Important Element in Stabilization of the Economy"]

[FBIS Translated Text] In the second half of January of this year, the Russian Federal Service on Currency and Export Control (VEK) received a directive from the Russian Federation government. It stressed "the expediency of creating in the RF [Russian Federation] a system of mandatory expert evaluation of the quantity, quality and correspondence of prices of export goods, and primarily strategically important raw goods and materials." The VEK of Russia was ordered to develop, in conjunction with the MFER [Ministry of Foreign Economic Relations], Gosstandart [State Committee on Standardization, Metrology and Certification] and Minfin [Ministry of Finance] of Russia, and to submit to the Russian Federation government in the nearest time specific proposals on organization of an effective mechanism of control over the receipt by the state treasury of currency funds from export operations.

As a result of the fact that most of the commercial banks are not adequately fulfilling their functions as agents of currency control, which are granted to them by the legislation, up until the present time it has been impossible to control in full measure the movement of monetary currents out of the country, as a result of which significant sums of export revenues remain abroad.

The normative statutes which are currently being developed by the VEK of Russia under this government directive will aid commercial banks as agencies of currency control in monitoring the directions along which currency funds are transferred, since in this case it will be possible to control cargo shipments going abroad. Specifically, it will be possible to determine how much, where and at what price the cargo was shipped, and primarily materials of strategic importance, and to know exactly how much currency must come back to the country as export revenues.

The Russian Federal Service on Currency and Export Control which was created by the edict of the RF President dated 30 September 1992 (to replace the disbanded Currency Control Inspection under the RF government) has travelled a difficult path in its organization and staffing. The new federal agency needed highly skilled specialists in foreign trade and customs work, as well as bankers, financiers, and jurists who had sufficient knowledge in all these fields. Considering the specifics of the VEK, not only were highly skilled specialists needed here, but also people of impeccable reputation. Therefore, in selecting the associates, their qualifications as well as their high moral-ethical qualities were and are taken into consideration. As of 1 February of this year, the central apparatus of the VEK numbered around 200 people. Fourteen territorial agencies of the VEK have been formulated and have begun operation, including in the Central, Central Chernozem, West Siberian, East Siberian, Far Eastern, Northwestern, Southern and certain other regions of Russia. Altogether, 26 such local VEK agencies are planned.

To control fulfillment by participants in foreign economic activity of their responsibility for sale of part of the export currency receipts on the domestic currency market of Russia, by making selective use of export quotas and privileges in implementing foreign economic and currency operations, including during export of strategically important raw material goods, the VEK of Russia, in conjunction with the tax and law enforcement organs, as of October of 1993 has begun performing inspections of various state and commercial structures, as well as commercial banks. In fulfillment of the RF President's edict of 24 May 1994, "On the Struggle Against Organized Crime," the VEK of Russia, in conjunction with the MVD [Ministry of Internal Affairs], the Federal Counterintelligence Service and the Department of the Tax Police of Russia, has developed and begun implementation of the "Operation Boomerang" plan in 1994-1995 for stopping the unlawful removal of capital from the country and the "laundering" of dirty money.

Violations were found in practically all cases of inspection, including on the part of major enterprises of the metallurgical complex, the oil drilling and petrochemical industry and banking organizations.

In cases of identified violations, the Russian Federal Service on Currency and Export Control has adopted the decision to impose fine sanctions in order to return to the state budget the sum of $48.1 million dollars USA, 17.1 million German marks, and R82.2 billion. It is not difficult to calculate the effectiveness of the performed work computed per worker of the service with consideration for the funds expended by the state for his maintenance.

The experience which has been accumulated by the present time allows us to conclude that the loss of currency funds from the country is facilitated by the absence of a single, interrelated system of standard documents of direct action in the sphere of currency, export-import and other foreign economic operations; the absence of pre-customs quality control, and control of the quantity and price of the exported and imported goods; the absence of a unified information system ensuring control over the foreign economic operations at all stages of the specific deal, from manufacture of the goods and their export to receipt of the currency revenues and departmental dissociation in implementing the functions of regulating control. Insufficient coordination of actions between the federal organs of power and the Bank of Russia, along with the legislative and standards foundations which are still far from being complete, do not facilitate the normal development of the currency market and monetary circulation in the country or the regulation of foreign economic operations, and consequently do not help the stabilization of the ruble.

As we know, for purposes of protecting state interests, the RF Council of Ministers decree and the RF presidential edict delegated to the VEK of Russia the powers and authorities of the government for "implementing a unified all-state policy in the sphere of organization, control and supervision over adherence to the legislation of the Russian Federation in the field of currency, export-import and other foreign economic operations." In accordance with this, the VEK of Russia is developing recommendations and proposals for submission to the RF government, which are based on foreign experience and the demands of the international community (within the framework of the Agreement on Partnership and Cooperation with the European Union) on developing legislation in the sphere of regulating currency circulation and foreign economic activity on the whole. For effective interdepartmental informational provision, at the present time the VEK of Russia is creating basic integrated informational-analytical systems of currency-export control based on the unification of all the departmental information systems.

However, the large commercial structures, including banks, which receive their super-profits in violation of the law, and which are concerned only about their personal gain to the detriment of state interests, are not pleased by this activity of the new federal service, since the VEK of Russia is trying to curtail their unlawful activities (as is done in any civilized society). A very strong lobbying campaign sponsored by certain circles has been undertaken against the VEK of Russia. This unseemly campaign has also attracted certain mass media, which have no aversion to publishing outright fabrications and biased conclusions regarding the activity of the Russian Federal Service on Currency and Export Control.

If those who are today trying to discredit the VEK would take the time to familiarize themselves with foreign experience, they would see that in periods of undertaking economic reforms in other countries, state services similar to the VEK of Russia ensured the stability of the national economy. This was the case, for example, in France, where the strict system of currency control established in the late 1970's played a significant role in limiting the rates of inflation and creating sufficient currency reserves. The efforts of the state organs of currency control have to a significant degree facilitated France's emergence from its prolonged economic crisis. This was the case also in Japan, where after the conclusion of World War II, for purposes of rapid restoration and stabilization of the economy, the consistent process of intensifying currency control and strengthening the legislative base regulating foreign economic activity was undertaken. The measures adopted at that time played a positive role in stimulating the economic development of the country. The positive experience in currency and export control in Italy, Belgium, Great Britain, India and many other countries testify that the operations associated with the movement of capital are implemented and regulated under the control of competent state organs, such as, specifically, the VEK of Russia.

Life has already demonstrated that the Russian Federal Service on Currency and Export Control has the potential to fulfill the task placed before it by the government. Legislative proposals and draft decrees submitted by the VEK to the government would, if realized, allow the precise regulation of currency, export-import and other foreign economic operations, and facilitate the development of a state system of currency and export control in Russia. However, we should state that not all the proposals of the VEK have yet been adopted, and this, naturally, creates difficulties in the day-to-day activity of the federal service.

Increasing the effectiveness of currency and export control depends largely on our contacts and interactions with the analogous structures abroad. Specialists at the VEK of Russia, in cooperation with the interested ministries and departments, have prepared a model draft intergovernmental agreement, "On Cooperation and Mutual Assistance in the Sphere of Currency and Export Control." The VEK of Russia, with the participation of the Central Bank and the State Customs Committee, has been assigned the task of conducting negotiations in the name of the RF government regarding the signing of such agreements with the governments of foreign countries. With this goal in mind, and with the active participation of the RF MFA [Russian Federation Ministry of Foreign Affairs], initial contacts have been established, and at the present time preparations are underway for negotiations on this question with the USA, Great Britain, France, Italy, the Netherlands, Belgium, the FRG [Federative Republic of Germany], Luxemburg, Hungary, the PRC [People's Republic of China], the CIS countries—Belorussia, Ukraine, Kazakhstan, Georgia and Uzbekistan, and the Baltic countries. The governments of these states have been sent the appropriate memoranda.

The VEK of Russia considers an important direction of its work, specifically on return of unlawfully removed Russian capital, to be the bilateral cooperation with specialized foreign organizations: FINSEN (USA), TRAKFIN (France), the Coordinating Council on Combatting Legalization of Income from Criminal Activity (Great Britain), the Italian Currency Buro, and others.

We must admit: As yet we do not have the necessary legal base to return currency which has been unlawfully removed from the country. It is specifically for this reason that the work performed by the Federal Service on Currency and Export Control on preparing proposals to introduce changes into the effective RF legislation and on cooperation with analogous structures abroad has for its goal the creation of such a legal foundation which would ensure the return of unlawfully removed currency valuables to Russia.

*Bunich on Rumors of Fixed Exchange Rate

954E0638A Moscow TRUD in Russian 3 Mar 95 p 6

[Commentary by Pavel Bunich, economist and deputy chairman of RF State Duma's Committee on Property, Privatization and Economic Activities, as reported by Yelena Varshavskaya: "The Dollar Does Not Breed in Captivity"]

[FBIS Translated Text] [Boxed material: Rumors, repeatedly refuted, about the possible introduction in the country of a fixed exchange rate for the dollar, continue to disturb Russia's business community]

We asked the well-known economist and deputy chairman of the RF State Duma's Committee on Property, Privatization and Economic Activities, Pavel Bunich, to comment on the situation and to assess the consequences of such a step for the state's economy.

The idea of introducing in Russia a fixed exchange rate for the dollar is just the tip of the iceberg. At its base lies the attempt to cover the ever increasing budget deficit. The basic method selected in order to do this consists of domestic securities. It is being proposed that they be issued for no less than 30 trillion rubles [R]! However, if the International Monetary Fund does not give us the promised $12 million in credits, then it will be necessary to issue domestic securities for a much larger amount. By selling them, the government is hoping to obtain an enormous amount of money.

Meanwhile, it is no secret to anyone that the available rubles are chasing after dollars and not domestic securities. How can they be compelled to change direction? And so the current race for the dollar has begun.

Even now, many restrictions have been adopted, which are associated with the conducting of transactions in the Interbank Currency Exchange. These include the establishment of a maximum (10 percent) increase in the dollar's value in one session, the restriction on the amounts for which currency may be obtained, the increase in the norm for the required reserves and many others, but all these measures will not lead to the desired results by any means.

Even the constantly arising rumors have not worsened the dollar's position, for example, the one that it will soon be possible to obtain currency only on the basis of a certificate which will probably need to contain certain special notations. Or the one that all currency transactions in the country are about to be stopped, a criminal investigation of them will be started and accounts will be frozen. But the prediction that panic would arise after the emergence of the rumors also proved to be wrong.

Trust in the dollar did not weaken, while the prestige of domestic securities did not increase even after the obligations were fulfilled with respect to the GKOs (State Short-Term Bonds). These securities were redeemed on time and their net yield—180 percent—made it possible not only to save money from inflation, but even to get a little bit "ahead of the game."

And here is where the idea arose: can not a fixed exchange rate for the dollar be introduced? As a result, the number of its purchasers would decrease a bit, while the number of sellers would increase. Then the currency will lose its attractiveness for those who are acquiring it in order to invest available money profitably. And everyone will rush to buy domestic securities.

Let us assume that this were done. In my opinion, the consequences of this step would prove to be extremely deplorable.

Suppose that everyone begins buying state short-term bonds instead of dollars. The state will immediately receive an enormous amount of rubles, this is so. But, very soon, a problem will arise: how and using what are the domestic securities to be redeemed? From where are the funds to come, not only to redeem the GKOs on time, but also to pay the earnings? If there were a normally operating industry in the country, it would be possible, having invested money in it and obtained good profits, to provide the funds needed for the timely payments to GKO holders. But the slump in production is deep, as never before, and is still continuing. At the same time, great will be the temptation to use the money obtained by the budget through the securities for pensions and for wages for doctors, teachers, cultural workers and workers of sectors threatened with strikes. I.e., money which has replenished the budget through the sale of securities will not multiply, but rather, as is customary in our country, it will be spent.

What will happen subsequently and from where will we get in a very short time (and the GKOs' attractiveness lies in their short-term nature) the colossal sums for repaying the GKOs? By building a pyramid based on the Mavrodi example, paying off previous purchasers of securities with the money from subsequent purchasers? Or perhaps, the GKOs will become, like state obligations in their time, a "permanent debt?" There is still one more way out—emission. But, to turn on the "money press" is to provoke a new round of inflation. And, in the first quarter of this year, it will already amount to 40 percent, which is close to the figure which had been planned for the entire year....

It is not difficult to understand that an attempt to cover the budget deficit using domestic securities while introducing a fixed exchange rate for the dollar will lead directly to the opposite result.

Would it not be better to leave the dollar alone? After all, its exchange rate is very high. It is possible to obtain bagfuls of rubles for "greenbacks!" At the same time, not being responsible to those who are acquiring dollars and not thinking about how to ensure their earning potential. Perhaps the state should itself participate in currency transactions as a currency seller?

Moreover, it would be naive to hope that currency speculations would stop, as if by the wave of a magic wand, with the introduction of a fixed exchange rate. If buying and selling dollars is profitable—this will continue. The process will just move into the alley, into the "shadows." A "black market" will emerge, with all its criminal attributes, which will complicate the situation in the country even more, a situation already burdened by the crime spree.

One more very important factor must not be forgotten. An increase in the dollar's exchange rate is good for exporting. Inflation contributes to an increase in the difference between the production cost of a commodity and the price obtained from its sale in the world market. This difference remains with the exporter. And Russia is an exporting country. Up till now, it has been selling more products than it has been buying abroad. However, if a fixed exchange rate for the dollar is established, the exporters' losses will be very great and trade in the world market will cease to produce revenues which, in the end, the country will lose. And this must be taken into consideration during the formation of the state's economic policy.

In world practice, there is an example which is the diametrical opposite of ours. This is Japan. Until recently, the inflation rate there was quite high. But the economy of the Land of the Rising Sun, undoubtedly, is one of the most developed. The fact is that the state used the situation to its benefit: it geared itself toward the exporting of its won products. And this is precisely what made it possible, despite the drop in the yen's exchange rate, for the economy to develop rapidly. Now Japan is experiencing serious problems. They are associated with the fact that... the yen's exchange rate stabilized and even began to rise! This created a threat to the economy of a country which lives basically through exporting. And the government announced a structural reorganization. Today, the Japanese are actively transferring their industry to countries where the exchange rate of the local currency is falling and are reorienting production toward domestic consumption. Some one will say: we should have their problems!

The lesson of Japan should be taken to heart by our country. Remembering at the same time that, in a market economy, it is not only not necessary to establish a fixed exchange rate for a currency forcibly, but simply impossible. It does not exist anywhere in the world's developed countries, although the monetary units there do not fluctuate with respect to one another, for all practical purposes. Only the basis of this stability is the stability of inflation. This is why we need to try "to treat" not the symptoms of the disease, but rather its initial cause: it is sensible to reform the state's economy.

*Decree Increasing Wages for Budget-Funded Sector Workers

954E0620B Moscow ROSSIYSKAYA GAZETA in Russian 1 Mar 95 p 1

["Russian Federation Government Decree No. 189 of 27 February 1995: On Increasing Wage (Salary) Rates in the Unified Wage Scale for Workers in the Budget Sector"]

[FBIS Translated Text] The Government of the Russian Federation **decrees:**

1. That the Unified Wage Scale for workers in the budget sector is approved in accordance with the supplement.

2. That the wage (salary) scale for the first category in the Unified Wage Scale for employees of enterprises, institutions, and other organizations in the budget sector which are being financed from the federal budget is established at R39,000 per month beginning 1 March 1995.

3. That the wage (salary) rates are to be increased in conformity with Paragraph 2 of this decree by:

—R11,700 for the first category;

—R10,200 for the second category;

—R7,800 for the third category; and

—R4,800 for the fourth category.

4. That the increase in wage (salary) rates of employees of enterprises, institutions, and other organizations in the budget sector which are being financed from the budgets of components of the Russian Federation in conformity with Paragraphs 2 and 3 of this decree is to be made by components of the Russian Federation independently with funds from the budgets cited.

5. That the Russian Federation Ministry of Finance is to determine:

—the amount of expenditures involved in the realization of this decree, jointly with the Russian Federation Ministry of Labor; and

—the sources of financing for the expenditures cited.

That Russian Federation ministries and departments are to provide for implementation of the necessary measures, within the limits of allocations assigned, to increase the wage (salary) rates of employees in the budget sector.

Unified Wage Scale for Workers in the Budgeted Sector

Wage Categories	Wage Rate Coefficients
1	1.00
2	1.12
3	1.27
4	1.44
5	1.62
6	1.83
7	2.07
8	2.34
9	2.64
10	2.98
11	3.37
12	3.81
13	4.31
14	4.87
15	5.50
16	6.11
17	6.78
18	7.54

6. That the following have become invalid:

—Paragraph 2 of Russian Federation Government Decree No. 785 of 14 February 1992 "On Differentiation in the Wage Levels of Workers in the Budget Sector on the Basis of the Unified Wage Scale," in the part approving the Unified Wage Scale for workers in the budget sector in accordance with Supplement No. 1 (Collection of documents of the President and Government of the Russian Federation No. 16, Article 1253, 1992); and

—Russian Federation Government Decree No. 759 of 30 June 1994 "On Increasing the Wage (salary) Rates in the Unified Wage Scale for Workers in the Budget Sector" (Collection of Russian Federation Laws, No. 11, Article 1293, 1994).

[Signed] V. CHERNOMYRDIN
Chairman of the Russian Federation Government

*Decree on Changes to List of Important Raw Materials

9540620C Moscow ROSSIYSKAYA GAZETA in Russian 1 Mar 95 p 16

["Russian Federation Government Decree No. 177 of 21 February 1995: On a Partial Change in the List of Strategically Important Raw Materials Which Were Exported in 1994 by Enterprises and Organizations Registered by the Russian Federation Ministry of Foreign Economic Relations For These Purposes"]

[FBIS Translated Text] The Russian Federation Government **decrees:**

That the commodities in the supplement are to be excluded from the list of strategically important raw materials that were exported in 1994 by enterprises and organizations registered by the Russian Federation Ministry of Foreign Economic Relations for these purposes, approved by the Russian Federation Council of Ministers and Government Decree No. 1102 of 2 November 1993 "On Measures To Liberalize Foreign Economic Activity" (Collection of documents of the President and Government of the Russian Federation, No. 45, Art. 4341; No. 50, Art. 4877, 1993; Collection of Laws of the Russian Federation, No. 4, Art. 292, 1995).

[Signed] V. CHERNOMYRDIN
Chairman of the Russian Federation Government

List of Commodities Excluded from the List of Strategically Important Raw Materials Exported in 1994 by Enterprises and Organizations Registered by the Russian Ministry of Foreign Economic Relations For These Purposes

Short Name of Commodity*	Code TN VED
Lubricating oil	271000910- 271000990
Petrolatum	271210
Petroleum coke, petroleum bitumin, and other products from oil refining	2713
Rare-earth metals (scandium, yttrium, lanthanum, and lanthanides	280530
Compounds of rare-earth metals	284690000
Phenol and its salts	290711000
Mineral fertilizers or chemical and phosphorus fertilizers	3103
Ammonium sulfate	310221000
Cooper's wood from coniferous trees	440410000
Sheets of single-layer plywood and veneer sheets	440810000
Copper foil	7410
Large- and small-diameter pipes of copper and copper alloys	7411
Large- and small-diameter nickel pipes and fittings for them	7507
Items made of nickel	7508
Aluminum foil	7607
Large- and small-diameter aluminum pipes	7608
Fittings for large- and small-diameter aluminum pipes	7609
Metal structures made of aluminum	7610
Tanks made of aluminum	7612

* The list of commodities is determined exclusively by the TV VED codes.

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*Federal Law on Communications

954E0597A Moscow ROSSIYSKAYA GAZETA in Russian 22 Feb 95 pp 9-10

[Federal Law on Communications; passed by the State Duma on 20 January 1995]

[FBIS Translated Text] This Federal law establishes the legal basis for activity in the sphere of communications, carried out under the jurisdiction of the Russian Federation (federal communications, henceforth—communications) and determines the authority of the organs of state authority to regulate this activity, as well as the rights and obligations of physical and legal persons taking part in this activity or using communications services.

Federal communications include the entire network and the structures of electrical and postal communication on the territory of the Russian Federation (with the exception of intra-production and technological communications networks).

Chapter I. General Points Article 1. The purpose of communications.

Communications are an integral part of the production and social infrastructure of the Russian Federation, and operate on its territory as an intercoordinated production-economic complex, designed to satisfy the needs of the citizens, the organs of state authority (administration), defense, security, preservation of law and order in the Russian Federation and of physical and legal persons in the services of electrical and postal communications.

Communications devices, together with computer technology devices, constitute the technical basis supporting the process of gathering, processing, accumulating and disseminating information.

The development and guarantee of the stable and high-quality work of communications are extremely important conditions for the development of society and the activity of the state. **Article 2. The basic terms used in this Federal Law.**

For the purposes of this Federal Law, the following basic terms are used:

Electrical communications (electrocommunications)—any transmission or reception of signs, signals, written text, images, sounds over wire, radio, optic and other electromagnetic systems;

Postal communications—the receiving, processing, transporting and delivery of postal dispatch, as well as the transport of monetary funds;

Electrical communications network—technological systems ensuring one or several types of transmission: telephone, telegraph, facsimile transmission of data and other types of documentary communications, including exchange of information through computer, television, sound and other types of radio and wire broadcasting;

Intercoordinated communications network of the Russian Federation—a group of technologically linked networks of electrocommunications on the territory of the Russian Federation, provided with centralized administration;

Communications network for general use—a component of the intercoordinated communications network of the Russian Federation, open for use to all physical and legal persons, the services of which cannot be denied these persons;

Departmental communications networks—electrocommunications networks of ministries and other federal organs of executive authority, created to satisfy production and special needs, and having an outlet to the communications network for general use;

Intraproduction and technological communications networks—electrocommunications networks of federal organs of authority, as well as of enterprises, institutions and organizations, created to manage intraproduction activity and technological processes, which have no outlet to the communications network for general use;

Assigned communications networks—electrocommunications networks of physical and legal persons, which have no outlet to the communications network for general use;

Communications enterprises, institutions and organizations (henceforth—communications enterprises)—legal persons, regardless of the form of ownership, who offer the services of electrical or postal communications to physical and legal persons as the basic form of activity;

State communications enterprises—communications enterprises belonging to facilities under federal ownership or the ownership of a component of the Russian Federation;

Communications operator—a physical or legal person who has the right to offer electrical or postal communications services;

Communications services—the product of activity to receive, process, transmit and deliver postal shipments or electrical communications;

Communications user—physical and legal persons who are users of communications services;

License—a document establishing the authority of physical and legal persons, in accordance with this Federal Law and other legal acts, to engage in activity in the communications sphere;

Certificate—a document confirming that the communications equipment or services, properly identified, meet the requirements of the normative documents;

Terminal equipment—technical devices which form electrocommunications signals to transmit or receive information fed by the subscribers along the communications channels, hooked up to subscriber lines and for the use of the subscribers;

Communications devices—technical devices used to formulate, process, transmit or receive electrocommunications or postal dispatches;

Postal shipments—letters and postal cartons, printed matter, packages, parcels, postal containers, printed publications in appropriate packaging. **Article 3. The sphere of force of this Federal Law**

This Federal Law extends to relations involved in the activity of offering services and performing work in the sphere of communications, in the implementation of which organs of state authority, individual officials and communications users participate.

With respect to communications operators located outside the Russian Federation and carrying out their activity in accordance with the legislation of foreign states, this Federal Law is applicable only with respect to regulating the procedure for their offering communications on the territory of the Russian Federation. **Article 4. General regulation in the sphere of communications**

This Federal Law determines the basic statutes on communications in the Russian Federation.

Relations in the sphere of communications which are not regulated by this Federal Law are regulated by other federal laws and other legal acts applicable in the Russian Federation, as well as by laws and other normative legal acts of components of the Russian Federation, within the limits of their authority.

Normative acts and instructions on questions of regulating the administration of communications networks and the organizational-technical support of a stably functioning communications network, as well as technical operation of communications devices, which have been issued by federal organs of executive authority in the sphere of communications, are obligatory for all physical and legal persons offering or using communication services, regardless of their location and forms of ownership.

The Government of the Russian Federation and federal organs of executive authority in the sphere of communications which are authorized by it bear the responsibility for the overall regulation of communications in the country. **Article 5. Principles of activity in the sphere of communications**

Activity in the sphere of communications is carried out on the basis of:

The equality of rights of physical and legal persons to participate in activity in the sphere of communications and use of its results;

A combination of the interests of the Russian Federation and components of the Russian Federation;

Freedom to transmit communications along the networks and means of electrocommunications, freedom of postal shipments and transit mail on the entire territory of the Russian Federation;

Observance of the interests of communications users;

Development of entrepreneurial activity and restriction of monopolistic activity under the conditions of the existence of different forms of ownership on the network and means of communication,

Ensurance of the reliability and controllability of communication, in consideration of its network technological features, based on unified standards on the territory of the Russian Federation, in accordance with the recommendations of the International Union of Electrocommunications and the Universal Postal Union;

Ensurance of the priority of producing communications devices in the Russian Federation, in accordance with state scientific-technical policy;

Introduction of world achievements in the sphere of communications, drawing in and using foreign material and financial resources, advanced foreign technology and management experience;

Assistance in expanding international cooperation in the sphere of communications and developing world-wide communications;

Accountability and control of communications enterprises for federal organs of executive authority;

Freeing federal organs of authority in the sphere of communications from economic functions.

In accordance with Article 56 of the Russian Federation Constitution and Article 13 of this Federal Law, under the conditions of a state of emergency on the entire territory of the Russian Federation and in its individual localities, in accordance with the procedure established by federal constitutional law, the force of the first and third paragraphs of the first part of this article may be limited.

Chapter II. Communications Networks Article 6. The intercoordinated communications network of the Russian Federation.

The intercoordinated communications network of the Russian Federation constitutes a group of technologically linked communications networks for general use and departmental electrocommunications networks on the territory of the Russian Federation, provided with general centralized management, regardless of departmental affiliation or forms of ownership.

The development and improvement of the intercoordinated communications network of the Russian Federation are being implemented on the basis of the technological unity of all the networks and electrocommunication devices in the interests of their complete use, increased efficiency and stable functioning.

The state, in accordance with the federal program for the development of intercoordinated communications networks of the Russian Federation, through the funds of the federal budget and funds of the budgets of components of the Russian Federation, will support communications enterprises in realizing federal and regional programs, carrying out measures to increase the reliability of the intercoordinated communications network of the Russian Federation and creating a mobilized reserve of communications equipment and cable products, ensuring the development of all types of communications networks included in this network. **Article 7. The communications network for general use**

The communications network for general use, as a component of the intercoordinated communications network of the Russian Federation, is designed to offer communications services to all physical and legal persons on the territory of the Russian Federation, and includes all electrocommunications networks under the jurisdiction of the Russian Federation, except for assigned and departmental communications networks, regardless of their affiliation and form of ownership. Federal organs of executive authority in the sphere of communications have the responsibility for the functioning and development of the communications network for general use.

In building and equipping the communications network for general use, the requirements of ensuring the reliability of this network, given the effect of factors destabilizing it, are taken into consideration. **Article 8. Departmental communications networks and communications networks assigned to physical and legal persons**

Departmental communications networks are created and operate to provide for the production and special needs of federal organs of executive authority, are under their jurisdiction, and are operated by them. Departmental communications networks can also be used to offer communications services to the population and other communications users. Departmental communications networks are linked up with the communications network for general use on a contractual basis, on condition that the technical devices and structures of the connections of the departmental communications network meet the requirements and technical norms established for the communications network for general use and a license is obtained in accordance with Article 15 of this Federal Law.

Any physical and legal persons, including foreign investors with a recognized legal status, may set up assigned communications networks on the territory of the Russian Federation. The requirement of licensing, in accordance with Article 15 of this Federal Law, extends to the activity of granting communications services by operators of assigned communications networks.

When assigned communications networks are linked to the communications network for general use, these networks pass into the category of a communications network for general use.

The procedure for linking up departmental and computer communications networks to the communications network for general use is established by the Russian Federation Government. **Article 9. Communications networks for**

the needs of administration, defense, security and preservation of law and order in the Russian Federation.

Governmental communications are ensured by persons specially authorized for this by agencies determined by the President of the Russian Federation. These agencies provide the organs of state authority of the Russian Federation, and organizations safeguarding state secrets within the limits of their authority, with special forms of communication. The rights and duties of the agencies of these communications are determined by Russian Federation legislation.

Communications for the needs of defense, security and preservation of law and order in the Russian Federation are provided by the communications agencies of the appropriate federal organs of executive authority. They are granted the right, without detriment to the basic activity, to use the networks and means of communication within their jurisdiction to transmit or receive the communiques of communications users for commercial purposes. In this case the requirement of licensing in accordance with Article 15 of this Federal Law extends to the granting of communications services.

The channels of a communications network for general use and those of departmental communications networks for the needs of administration, defense, security and preservation of law and order in the Russian Federation are granted on a lease basis, in accordance with the procedure specified by Russian Federation Legislation.

The procedure for preparing and using the communications network for general use for the needs of administration, defense, security and preservation of law and order in the Russian Federation is determined by Russian Federation legislation.

Federal organs of executive authority in the sphere of communications, the communications agencies of other federal organs of executive authority and communications operators, regardless of the forms of ownership, must ensure the priority granting of communications channels for the needs of administration, defense, security and preservation of law and order in the Russian Federation, and take priority and urgent measures to replace communications channels or to restore them in case of damage.

Article 10. Postal communications

Postal communications, which are under the jurisdiction of the Russian Federation, constitute a unified technological network of institutions and means of transport which ensure the receiving, processing, transport and delivery of postal dispatches, the transfer of monetary funds, and also the organizing, on a contractual basis, of the dispatch, delivery and dissemination of periodicals, the delivery of pensions, stipends and target-oriented payments.

Freedom of postal shipments and postal transit is guaranteed on the entire territory of the Russian Federation.

State postal communications institutions, special communications and federal courier communications form a unified postal territory for the mutual exchange of postal shipments.

The activity of postal communications in the Russian Federation and federal courier communications is regulated by federal laws.

Sub-units of postal-courier communications of the Russian Federation Ministry of Defense are also included in postal communications.

The state gives economic support, through federal budgetary funds, to the development and functioning of postal communications, and implements the social protection of its workers.

Postal communications services may be rendered by non-state enterprises of postal communications on the basis of licenses issued in accordance with the established procedure.

Chapter III. Administration of Activity in the Sphere of Communications Article 11. The system of federal organs of executive authority in the sphere of communications

Administration of activity in the sphere of communications is carried out in accordance with this Federal Law by the federal organs of executive authority in the sphere of communications, joined into a unified system, in accordance with the established procedure. These organs, within the limit of their powers, bear the responsibility for the condition and development of all forms of communication.

The structure and organization of the activity of federal organs of executive authority in the sphere of communications are determined by statutes approved by the Russian Federation Government.

For the purpose of executing this Federal Law, the tasks of federal organs of executive authority in the sphere of communications which are included in the unified system are:

The development of proposals on state policy in the sphere of communications and ensurance of its realization and general regulation in the sphere of communications;

Intersectorial coordination, on a collective basis, of the functioning and development of electrocommunications;

Organization and ensurance of state oversight and monitoring of activity in the sphere of communications;

Development of proposals on a state policy in the sphere of the distribution and use of the radio-frequency spectrum and ensurance of their realization;

Development of drafts of programs of development in the sphere of postal communications and ensurance of their realization.

Article 12. Regulation of the use of the radio-frequency spectrum and orbital positions of satellite communications

The state has the exclusive right to regulate the use of the radio-frequency spectrum and orbital positions of satellite communications.

The Russian Federation Government ensures the development and realization of policy and procedures in the sphere of distributing the radio-frequency spectrum and efficient use of radio-frequencies and orbital positions of satellite communications, in accordance with the interests of the Russian Federation, and on the basis of international contracts and agreements of the Russian Federation.

In order to ensure the electromagnetic compatibility of radioelectronic devices, the Russian Federation Government establishes the procedure for assigning radio-frequencies, and the special conditions for the development, planning, construction, acquisition, operation and import from across the border of radioelectronic devices and high-frequency units, and also determines the set of measures to protect radio reception from industrial radio interference.

Communications devices, including those used for radio-television broadcasting, and other technical devices which are sources of electromagnetic radiation, are subject to registration in accordance with the procedure established by the Russian Federation Government.

Frequencies granted to communications enterprises may be changed in the interests of ensuring state administration, defense, security and preservation of law and order in the Russian Federation, with the communications enterprises compensated for losses entailed in transferring to different frequencies. **Article 13. Administration of communications networks in emergency situations and under the conditions of a state of emergency**

Administration of communications networks in emergency situations is implemented in accordance with Russian Federation legislation by federal organs of executive authority in the sphere of communications, in interaction with the centers of communications administration of government agencies, the Armed Forces of the Russian Federation, federal organs of executive authority in the sphere of civil defense, emergency situations and clearing up the consequences of natural disasters, and other federal organs of executive authority which have departmental communications networks under their jurisdiction.

During natural disasters, quarantines and other emergency situations specified by Russian Federation legislation, state agencies authorized for this have the right to priority use, and also to suspend the activity of any networks and communications devices, regardless of departmental affiliation or form of ownership.

To coordinate work on clearing up situations caused by the introduction of a state of emergency, in accordance with Russian Federation legislation on a state of emergency, special temporary communications agencies may be formed, to whom are transferred, fully or partially, the appropriate powers of federal organs of executive authority in the sphere of communications and of communications agencies of Russian Federation components on the territory where the state of emergency has been introduced.

Losses incurred by non-state communications enterprises when the networks and communications devices of these enterprises are used in cases enumerated in the second part of this article, are reimbursed through the funds of the appropriate budgets. **Article 14. Interaction of communications enterprises with agencies carrying out operations-search activity**

Communications enterprises and communications operators, regardless of departmental affiliation and forms of ownership, operating on Russian Federation territory, when developing, setting up and operating communications networks, must, in accordance with Russian Federation legislation, render assistance and grant agencies carrying out operations-search activity the opportunity of taking operations-search measures on the communications networks and must take measures to prevent the disclosure of organizational and tactical devices used to carry out these measures.

If communications devices are used for criminal purposes which are to the detriment of the interests of an individual, society or the state, state organs authorized for this, in accordance with Russian Federation legislation, have the right to suspend the activity of any networks and communications devices, regardless of departmental affiliation and forms of ownership. **Article 15. Licensing activity in the sphere of communications**

The activity of physical and legal persons involved in offering communications services is carried out on the basis of licenses properly obtained and drawn up for this purpose, in accordance with this Federal Law.

The forms and period of force of licenses, and the conditions for issuing them, suspending or discontinuing their force, as well as other licensing questions, are regulated by Russian Federation Legislation.

The issuance, change in conditions or extension of the periods of force of licenses for the right to activity in the sphere of communications, as well as cessation of the force of licenses, are carried out by the Russian Federation Ministry of Communications in accordance with this Federal Law and the statute on licensing in the sphere of communications, approved by the Russian Federation Government.

The issuing of licenses for activity in the sphere of communications for the purposes of radio-television broadcasting, as well as the conferring of frequencies entered on the list of frequencies used and planned for use for the purposes of radio-television broadcasting, are carried out on the basis of licenses for broadcasting, without the holding of a competition, by the Russian Federation Ministry of Communications, in accordance with Russian Federation legislation, upon the application of physical and legal persons who own, use and have at their disposal communications devices used for the purpose of radio-television broadcasting, or have the intention of coming into the right to own, use and have at their disposal communications devices used for the purposes of radio-television broadcasting.

Licenses are not required if the network:

Has an intra-production or technological purpose;

Is used to offer communications services exclusively for the needs of administration, defense, security and preservation of law and order in the Russian Federation, indicated in Article 9 of this Federal Law;

Is concentrated in a single complex of facilities or several complexes, adjacent to each other, or is installed on a means of motor transport, a ship, airplane or other form of transport.

A license or any rights granted by it may be fully or completely transferred by one legal person to another legal person only after the latter obtains a new license.

Physical and legal persons engaging in activity in the sphere of communications without a license, or in violation of the procedure for its use, bear the responsibility established by Russian Federation legislation.

The illegal actions of a federal organ of executive authority in the sphere of communications with respect to questions of licensing activity in the sphere of communications may be appealed to a court or arbitration court. **Article 16. Certification of communications devices**

All communications devices used on the intercoordinated communications network of the Russian Federation are subject to obligatory checking (certification) for conformity to the established standards or other norms or technical requirements.

Communications services made available to communications networks for general use may also be subject to certification.

Certification of communications devices in the Russian Federation is carried out by a federal organ of executive authority in the sphere of communications, with the aid of testing centers (laboratories) authorized for this and accredited in accordance with the established procedure in federal organs of executive authority in the sphere of standardization, metrology and certification.

Upon completion of the procedure for certification of each model of the communications devices by a federal organ of executive authority in the sphere of communications, a certificate is issued for the established model.

The procedure for carrying out certification is determined by Russian Federation Legislation.

Those guilty of violating the rules for certifying communications devices bear the responsibility established by Russian Federation legislation.

Chapter IV. The Bases of Economic Activity in the Sphere of Communications Article 17. Ownership of a network and communications devices

Communications enterprises on the territory of the Russian Federation are set up and operate on the basis of the unity of the economic area and variety of the forms of ownership, and under the conditions of competition.

Networks and communications devices in the Russian Federation may be under federal ownership, the ownership of components of the Russian Federation and municipal ownership, as well as the ownership of physical and legal persons appearing as communications operators, including foreign organizations and foreign citizens.

The list of networks and communications devices which may be only under federal ownership is determined by Russian Federation legislation. **Article 18. A change in the form of ownership of a network and communications devices**

A change in the form of ownership of a network and communications devices which are under federal ownership is made in accordance with the procedure specified by Russian Federation legislation.

Foreign investors may take part in the privatization of state and municipal communications enterprises on the terms established by Russian Federation legislation.

A change in the form of ownership for networks and communications devices is permissible on condition that this change does not violate the technological conditions for operation of the communications network, or the rights of physical and legal persons to use the communications services. **Article 19. Investing in the development of communications and financing their activity**

Investing in the development of communications is carried out in accordance with Russian Federation legislation on investment activity.

Decisions on state investments in the development of communications in the Russian Federation through federal budgetary funds are made on the basis of federal state programs for the development of communications, in accordance with the procedure established by Russian Federation legislation.

Federal state programs for the development of communications are worked out by federal organs of executive authority in the sphere of communications, on the basis of proposals of components of the Russian Federation, and are approved by the Russian Federation Government.

Organs of state authority of components of the Russian Federation and organs of local government, on the basis of plans for socio-economic development of the corresponding territories, determine the directions and work out the programs for making investments in the development of communications through the funds of the corresponding budgets.

Activity in the sphere of communications is financed through funds of the federal budget, on the basis of federal state programs for the development of communications, and is specified in the federal budget in a separate paragraph.

Expenditures to finance activity in the sphere of communications for the needs of defense, security and preservation of law and order in the Russian Federation are stipulated in the federal budget as part of the expenditures to ensure, respectively, defense, security and preservation of law and order.

Physical and legal persons taking part in implementing projects for the development and support of the functioning of communications may, in accordance with the established procedure, be granted guarantees, preferential loans, tax and other benefits.

Foreign investments in the sphere of communications can be guaranteed in accordance with Russian Federation legislation on foreign investments. **Article 20. Competition in the sphere of communications**

Federal organs of executive authority in the sphere of communications, acting in conjunction with federal organs of executive authority in the sphere of anti-monopoly policy and support of new economic structures, must encourage and support conscientious competition when granting communications services, using normative documents and fulfilling the conditions for licensing in accordance with Russian Federation legislation.

Communications operators bear the responsibility, established by Russian Federation legislation, for abusing their position or permitting any other actions which hinder competition or restrict it. **Article 21. Rates for communications services**

Rates for communications services are established on a contractual basis.

In cases specified by Russian Federation legislation, the state may regulate the rates for individual forms of communications services rendered by communications enterprises.

All physical and legal persons call out emergency operations services (fire department, police, ambulance, emergency gas service, mine-rescue service and others) free of charge.

The charge for inter-net connections is established on the basis of the contracts, conditions and statutes agreed upon between the appropriate communications enterprises. Disputes over these questions are considered in a court or arbitration tribunal.

Chapter V. The Interrelations of Communications Enterprises, Organs of State Authority, Organs of Local Government, Organizations and Enterprises Article 22. The Interrelations of communications enterprises, organs of state authority and organs of local government

When planning and developing cities and other population centers, residential districts and complexes, and separate buildings and structures, architectural and urban-construction bodies and planning organizations must make provision for the construction of buildings to accommodate communications enterprises, in accordance with the norms.

When designing and building separate buildings and structures, separate facilities are specified if this is necessary in accordance with the norms for accommodating communications devices.

Organs of state authority of components of the Russian Federation and organs of local government must lease to communications enterprises separate facilities in existing (or under-construction) residential or other buildings which meet technological norms, in accordance with the procedure specified by the organs of state authority of components of the Russian Federation.

The organs of local government grant communications enterprises workers who work and live in a rural locality, housing accommodations, fuel, land and other appurtenances, and other social benefits established for workers at agricultural enterprises in the given locality. **Article 23. The use of land when performing work to develop a communications network**

Communications land includes land parcels granted as property in accordance with established procedure, or transferred by their owners for permanent or fixed-period use, including those leased to physical and legal persons engaged in activity to make communications services available.

The procedure for granting land parcels, establishing protective zones and creating clearings and the conditions for their use is determined by Russian Federation legislation.

When the activity in the sphere of communications of the persons indicated in the first part of this article is suspended, the suspension of rights to land parcels is implemented in accordance with the bases and procedure established by land legislation.

The size of the land parcels, including protective zones and clearings, granted to the persons indicated in the first part of this article is determined in accordance with the norms for allocating land for this type of activity and for planning-technical documentation, approved in accordance with the established procedure.

Physical and legal persons indicated in the first part of this article have the right, in accordance with the established procedure, to construct buildings and structures for communications on the land parcels granted for these purposes, and also, in accordance with Russian Federation legislation, to utilize immovable property located on them. These persons also have the right to construct communications structures on the roofs of buildings, pole supports, bridges, in sewers, subway and railroad tunnels and other engineering objects, as well as to establish and service communications equipment, with the agreement of the owners and land users, including lessees, of these land parcels, buildings or structures. Land owners and land users, including lessees, have the right to deny communications enterprises the performance of this work only on the bases specified by the laws and other legal acts applied in the Russian Federation. If a dispute arises, the question may be resolved in a court or arbitration tribunal.

The transfer or reconstruction of communications structures, caused by new construction, the expansion and rebuilding of population centers and individual buildings, roads and bridges, the opening up of new lands, reconstruction of land-improvement systems and the development of mineral deposits are performed by the person ordering the construction at his own expense, in accordance with the standards and technical conditions of the owners or users of the networks and communications devices. In this case, an increase in the power of the communications devices is made at the cost of the communications enterprises.

Upon the completion of work on the land parcel, building or structure, the communications enterprise or person ordering the work must, at his own expense, bring the land parcel, building or structure to its original condition or reimburse the owner, land-user or lessee for losses incurred.

In case a land parcel is confiscated or the right of limited use of another's land parcel and other immovable property (easement) is encroached on, in the implementation of the planned work, the purchase price, as well as the fee for using the parcel and other immovable property, are established in accordance with the procedure determined by Russian Federation legislation. **Article 24. Protecting and safeguarding communications structures and devices, the radio-frequency spectrum and orbital positions of satellite communications**

Communications devices and structures, the radio-frequency spectrum and orbital positions of satellite communications are under state protection.

The procedure for safeguarding communications devices and structures and the radio-frequency spectrum is established by the Russian Federation Government.

In order to protect the established procedure for using the radio-frequency spectrum and orbital positions of satellite communications, Russian Federation legislation may establish restrictions on the production and import into the Russian Federation of radioelectronic devices which create abnormal interference to the functioning of electromagnetic systems.

Physical and legal persons who have permitted damage to communications devices or structures, unsanctioned hooking up to communications networks and devices, violation of the established procedure for manufacturing, acquiring, importing, using and registering radioelectronic devices and high-frequency units, and the use of frequencies for the operation of radioelectronic devices for all purposes and of high-frequency units, as well as those who have created abnormal interference for radio and television receivers, bear responsibility in accordance with the procedure established by Russian Federation legislation, including reimbursement of possible expenditures to eliminate the damage and reimbursing the communications enterprises for the profits lost. **Article 25. Clearing up the consequences of accidents on communications networks**

The consequences of accidents on communications networks are cleared up by the appropriate state services, with the participation of communications operators.

Organs of federal executive authority and organs of state authority of components of the Russian Federation, as well as organs of local government, immediately assist communications enterprises in clearing up the consequences of accidents on communications networks, when necessary assigning a work force, transport and other devices, with subsequent payment through the funds of the appropriate communications enterprises, and by decision of the organs of state authority—also through the funds of the appropriate budgets.

Performing work to clear up the consequences of accidents on communications networks does not require an agreement with the owner (proprietor, lessee) of the land parcel, building or structure where the communications devices are located. Losses incurred by the owner (proprietor, lessee) are to be reimbursed through the funds of the appropriate communications enterprise. A communications enterprise which has been reimbursed for the loss has the right to submit indemnity demands to the person who has caused the damage.

Work to clear up the consequences of accidents to communications networks includes restoring and rebuilding the communications devices which have suffered as a result of the accidents, as well as taking the necessary environmental protection measures.

Compensation to communications operators and other physical and legal persons for damage incurred as the result of accidents on communications networks is made through the resources of insurance funds or the person who has caused the damage.

By decision of the federal organs of executive authority, the organs of state authority of components of the Russian Federation or organs of local government, compensation to communications operators and other physical and legal persons for damage caused as the result of accidents to communications networks may also be made through the funds of the appropriate budgets. **Article 26. The use of transport devices**

Postal communications enterprises are granted the right, on contractual terms, to transport mail along all routes and lines of railroad, sea, river, air and motor vehicle transport, accompanied by postal communications workers, or to turn it over for transport as the responsibility of transport organizations.

No transport enterprise may refuse to conclude a contract to transport mail along the regular intercity and international routes of travel of its transport devices.

When performing urgent emergency-technical work to restore damaged communications networks and devices, the owners of transport devices give top priority to making them available to communications enterprises.

Transport devices belonging to communications enterprises may have a special symbol and may not be used to offer services or perform work which does not pertain to activity in the sphere of communications without the agreement of the communications enterprises.

Chapter VI. The Rights of Communications Users

Article 27. The right to use communications

All communications users on the territory of the Russian Federation have the right, on equal terms, to transmit communications along electrical and postal communications networks.

No communications user on the territory of the Russian Federation can be denied access to or the services of a communications network for general use.

Communications users and operators have the right to connect their own communications networks and terminal equipment to a communications network for general use, in adherence to the conditions for connection established by the Russian Federation Government, which are issued by the appropriate communications operators or are stipulated on the licenses.

Only communications devices certified in accordance with the established procedure are permitted to be connected to communications networks. **Article 28. The quality of communications services**

Communications operators must make available to users communications services which conform in quality to the standards, technical norms, certificates and conditions of the agreement on making communications services available. **Article 29. The priority of communications use**

The owners of communications networks and devices must grant absolute priority to all communiques pertaining to safety of human life at sea, on land, in the air and in space, and to taking urgent measures in the sphere of defense, security and preservation of law and order in the Russian Federation, as well as to communiques on major accidents, catastrophes, epidemics, epizootic diseases and natural disasters. **Article 30. Privileges and advantages when using communications**

Privileges and advantages, including priority, procedure for use and the amount of payment for communications services, may be established for individual categories of officials of state bodies, diplomatic and consular representatives of foreign states, representatives of international organizations and also individual groups of citizens when they use electrical and postal communications.

The list of privileges, as well as of the categories of officials and citizens who have the right to privileges and advantages, is determined by Russian Federation legislation and the normative legal acts of components of the Russian Federation, as well as by international contracts and agreements of the Russian Federation.

When privileges are granted with respect to payment for communications services, in accordance with this Federal Law or other legal acts applied in the Russian Federation, as well as normative legal acts of components of the Russian Federation, reimbursement of the shortfall in the revenues of the communications enterprise is made through funds of the federal budget or the budget of the appropriate component of the Russian Federation.

In other cases, when privileges are granted with respect to payment for communications services, reimbursement for the shortfall in revenues of the communications enterprise is made by the physical or legal person for whom the privilege has been established, through its own funds.

The procedure for reimbursing a communications enterprise for a shortfall in revenues resulting from the use of privileges and rates regulated by the state is determined by the Russian Federation Government and organs of state authority of Russian Federation components. **Article 31. Protection of the rights of communications users**

Protection of the rights of communications users to have the proper quality of electrical and postal communications services made available, to obtain information on these services and on their executors, as well as the mechanism for realizing these rights, are regulated by Russian Federation legislation.

Normative legal acts of components of the Russian Federation which regulate relations in the sphere of communications, in accordance with the powers of components of the Russian Federation, may not restrict the rights of communications users established by the appropriate federal laws. **Article 32. Secrecy of communications**

The secrecy of correspondence, telephone conversations, postal dispatches, telegraph and other communiques transmitted along electrical and postal communications networks is preserved by the Russian Federation Constitution.

All communications operators must ensure adherence to communications secrecy.

Information on postal dispatches and communiques transmitted along electrical communications networks, as well as the dispatches and communiques themselves, may be issued only to the dispatchers and addressees or their legal representatives.

Listening in on telephone conversations, familiarization with electrical communications communiques, delaying, inspecting and seizing postal dispatches and documental correspondence, obtaining information on them, and other limitations of communications secrecy are permitted only on the basis of a court decision.

Officials and other persons, and communications workers who violate these points are held accountable in accordance with the procedure established by Russian Federation legislation. **Article 33. Safeguarding postal and other dispatches**

Communications operators bear the responsibility for safeguarding postal and other dispatches received and for delivering them to their destination in the established time.

The list of objects prohibited from being sent by mail is established by Russian Federation legislation.

State postal communications enterprises have the right to confiscate postal dispatches, the contents of which are prohibited from being sent by mail, as well as to destroy or give permission to destroy postal dispatches, the contents of which endanger the health and life of postal workers or third parties, if this danger cannot be eliminated by any other means. **Article 34. Postal dispatches with a declared value**

The sender of a postal dispatch has the right to declare its value within the limits of the value of the investment.

If a postal dispatch with a declared value is lost or damaged, the communications operator reimburses the sender for the loss in accordance with Russian Federation legislation.

Chapter VII. Special Features of Making Communications Services Available Article 35. The use of languages and alphabets in the activity of communications enterprises

Electrical and postal communications networks throughout the territory of the Russian Federation carry out official correspondence in the Russian language, as the state language of the Russian Federation.

The addresses of the sender and recipient of telegrams and postal dispatches sent within the limits of the Russian Federation must be filled out in the Russian language, and the addresses of the sender and recipient of telegrams and postal dispatches sent within the limits of the territories of member-republics of the Russian Federation may be filled out in the state language of the appropriate member-republic of the Russian Federation, provided that the addresses of the sender and recipient are repeated in the Russian language.

The text of a telegram should be written in letters of the Russian or Latin alphabet, in any language.

International communiques transmitted by electrical and postal communications are processed in the languages determined by statutes of international treaties and agreements of the Russian Federation. **Article 36. Recording-reporting time in the sphere of communications**

When engaging in activity in the sphere of communications, communications enterprises, regardless of their location on the territory of the Russian Federation, use a unified recording-reporting time—Moscow time—in the technological processes of transmitting or receiving communiques and information.

In international communications, recording-reporting time is determined by international agreements of the Russian Federation.

Chapter VIII. Responsibility when Carrying Out Activity in the Sphere of Communications Article 37. Responsibility when carrying out activity in the sphere of communications

Federal organs of executive authority, the organs of executive authority of components of the Russian Federation and organs of local government, as well as physical and legal persons, who have, in the course of carrying out activity in the sphere of communications, permitted a violation of this Federal Law or other federal laws, as well as other legal acts applied in the Russian Federation, bear responsibility in accordance with the procedure established by Russian Federation legislation.

Communications operators bear material responsibility for loss or damage of valuable postal dispatches, shortage in the enclosures in postal dispatches in the amount of the declared value, distortion of the text of a telegram which changes its meaning, non-delivery of a telegram or delivering a telegram to the addressee when 24 hours has elapsed since it was transmitted, in the amount of the charge entered for the telegram (with the exception of telegrams addressed to population centers which have no electrocommunications).

The amount of responsibility for non-execution or improper execution by state postal communications enterprises of the duties of sending or delivering other registered postal dispatches is determined by Russian Federation legislation.

When a communications user violates the rules of operating terminal equipment of the electrocommunications network, uses non-certified equipment, and also when he does not pay on time for the communications services, the communications operator has the right to suspend the access of the communications user to the electrocommunications network until the shortcomings have been eliminated, with the exception of cases specified by Article 29 of this Federal Law, with reimbursement to the communications user for the losses of revenue of the communications operator and compensation for damages caused the communications operator because of damage or idle time of the equipment.

Workers at state communications enterprises bear material responsibility before their communications enterprises for loss of or delay in delivering all forms of postal and telegraph dispatches, non-delivery or damage to enclosures in postal dispatches, permitted (occurring) through their fault, in the amount of material responsibility which the communications enterprise bears before the user, unless a different measure of responsibility is specified by the appropriate federal law.

A communications operator bears no responsibility for non-execution or improper execution of the duty to transmit or receive communiques or for transmitting or delivering postal dispatches, if it is proven that this non-execution or improper execution of the duties occurred through the fault of the communications user or as the result of the effect of a force majeure. **Article 38. The procedure for presenting claims and bringing suits**

When there is non-execution or improper execution of duties when communications services are granted or work is performed in the sphere of communications, the communications user has the right to lay a claim against the communications operator who granted the services or performed the work, including a demand for reimbursement of damages.

Claims are laid in written form and are subject to compulsory registration in accordance with the established procedure.

Claims are laid within the following periods:

For claims related to non-granting, late or poor-quality granting of communications services or non-fulfillment or improper fulfillment of work in the sphere of electrical communications (with the exception of claims concerning telegraph communiques)—within six months;

For claims related to non-delivery, late delivery, damaged or lost postal dispatches—within six months;

For claims related to non-delivery, late delivery or distortion of a telegraph dispatch—within one month.

Written answers to claims should be given within the following periods:

For claims indicated in the first paragraph of the third part of this article—within two months;

For all types of non-local postal dispatches—within two months;

For local postal dispatches—within five days;

For telegraph dispatches—within one month.

For claims related to the subscription and delivery of newspapers, journals and other periodicals, the periods for presenting claims and their consideration are a year for legal persons. For physical persons, the periods for presenting claims on these bases are determined by Russian Federation legislation on questions of protecting consumers' rights.

When a claim is fully or partially refused, or no answer is received within the period established for its consideration, the declarant has the right to bring a suit in court or an arbitration tribunal.

Suits related to the dispatch or receiving of postal or telegraph dispatches may be brought against both the communications operator who accepted the postal or telegraph dispatch or the communications operator at the destination of the dispatch. **Article 39. Reimbursement for damages**

Reimbursement for damages caused in the implementation of activity in the sphere of communications is made voluntarily, either by decision of the court or arbitration tribunal, in accordance with the procedure established by Russian Federation legislation.

Chapter IX. Resolving Disputes on Questions of Activity in the Sphere of Communications Article 40. Resolving disputes in the implementation of activity in the sphere of communications

Disputes which arise in the implementation of activity in the sphere of communications between communications enterprises, and also between communications users and communications enterprises, are resolved in accordance with the procedure established by Russian Federation legislation.

When a communications enterprise performs urgent work to restore communications structures located on agricultural lands or other land parcels which do not have the status of communications lands, and if the owner (proprietor, lessee) of the land parcel and the communications enterprise have not come to an agreement on the suitable amount of damage reimbursement, or if the owner (proprietor, lessee) refuses to take part in the drawing up of the appropriate act, these circumstances may not serve as an obstacle to carrying out the restorative work and do not relieve the owner of the communications structures of paying reimbursement for damage caused. **Article 41. The resolution of disputes when international communications networks are used**

Disputes on questions of activity in the sphere of communications which arise between enterprises located on the territory of the Russian Federation and the territories of foreign states are resolved in accordance with the procedure established by appropriate international treaties and agreements of the Russian Federation.

Chapter X. International Cooperation Article 42. International cooperation

The Russian Federation promotes the development of international cooperation in the sphere of communications, as well as the resolution of problems of legal regulation of activity in the sphere of communications.

International cooperation in the sphere of communications is implemented on the basis of international treaties and agreements of the Russian Federation.

In international activity in the sphere of communications, the federal organ of executive authority in the sphere of communications comes forth as a communications administration and, within the limits of its powers, stipulated by the international treaty, represents and defends the interests of the Russian Federation in the sphere of electrical and postal communications, in interacting with the communications administrations of other countries and international communications organizations, and also coordinates international activity in the sphere of communications which is carried out by all physical and legal persons of the Russian Federation.

Foreign organizations or citizens who engage in activity in the sphere of communications on the territory of the Russian Federation enjoy the legal conditions established for physical and legal persons of the Russian Federation, to the extent to which these conditions are granted by the corresponding state to physical and legal persons of the Russian Federation. **Article 43. The law applied to international cooperation in the sphere of communications**

Physical and legal persons of the Russian Federation who take part in carrying out international projects in the sphere of communications conclude contracts with foreign organizations and citizens in accordance with Russian Federation legislation, if these contracts do not specify applying the legislation of another state.

Chapter XI. Enforcement of This Federal Law Article 44. Enforcement of this Federal Law

This Federal Law goes into force from the day of its official publication.

[Signed] B. Yeltsin, president of the Russian Federation
Moscow, the Kremlin, 16 February 1995, No 15-FZ

*Russian E-Mail Developer's Views on RELCOM, Sprint

954E0608A Moscow ROSSIYSKAYA GAZETA in Russian 25 Feb 95 p 4

[Interview with Mikhail Davidov, Russian electronic mail developer, conducted by Vladimir Klimov: "'Sprint' or Octopus?"; date and place not given]

[Text] **Throughout the century, postal communications have been considered to be the state's business. Not by chance, of course. It is one of the basic forms of providing people with information. Beginning in the 1960's, the development of information networks exploded, and electronic mail was created. In order to obtain the necessary information—including secret—pertaining to various spheres of activity, it is enough to operate a computer keyboard.**

Is the existence and development of electronic mail in Russia all that secure, though? We interviewed Mikhail Davidov, one of the developers of electronic mail in our country, on this subject.

[Klimov] Let us make a slight historical digression: how did such an important matter begin in our country?

[Davidov] First I will say that there are over 10 million computers operating in electronic mail in the world today, and there are already over 200,000 in our country. Each of them has its own name, by which you will find it in any corner of the world. The Americans, or more precisely—the Pentagon—were the first to develop this mail. They called their design Arpanet. Universities were subsequently permitted to hook up to this network. The first scientific electronic mail network was born—Internet.

Actually created at the state's expense, it became a transit network. Various other private corporations were able, through Internet, to communicate with the entire world. One of these corporations is Sprint. I mention it because it is the one that is most active in Russia right now.

We began to be active in electronic mail about 15 years later than the Americans. I wish to emphasize, however, that we developed methodology, programs and algorithms that were not inferior to those of the Americans, and are not lagging behind them right now. Electronic mail was developed in Russia on the basis of the DEMOS operations system. It was not named for democracy. It is an abbreviation of the words: Dialog Unified Mobile Operations System.

Russian electronic mail has a name that is known around the world—RELCOM—Russian electronic communications.

A large number of programmers were awarded the prize of the USSR Council of Ministers for Science and Technology for the development of DEMOS. We set up a Demos cooperative, which included programmers, united by common interests and a single operating system and task. Today the cooperative has become the Demos Company.

[Klimov] How efficiently has your cooperative been working, how has it proven its worth?

[Davidov] The status symbol of electronic mail has made its appearance in our country. The RELCOM label is the intellectual property of the Demos Company. Institutes of the Academy of Sciences, VUZes, and scientific-research institutes began to hook up to us. After that, little by little, our mail began to enter the administrative system and municipal services.

Demos has also proven its worth as a political organization. During the August 1991 putsch, we set up a mail office in the White House, in the Moscow Municipal Council offices and at the Russian Information Agency. As we know, access to information was forbidden during the putsch. We began to transmit Boris Yeltsin's appeal, all possible letters, messages and appeals of public organizations to all areas of the country.

The members of the Demos cooperative were on night duty at the barricades near the White House. They would come running in after being on duty, sit down at the computer, and give eye-witness descriptions of the events which they had seen. The programmers, along with the entire nation, experienced what was taking place in our country.

Electronic mail has declared itself as a kind of new social structure. The Supreme Soviet, the ministries, committees and societies are hooked up to it. The president's staff is now also among the users. Added to this are all kinds of commercial structures, banks, exchanges, publishing houses and agencies.

[Klimov] Do you transmit open information, which can go as an open text?

[Davidov] Absolutely correct. At the same time, though, we can also transmit cryptographic information. Moreover, the algorithms of the cryptography are so profound that the information will be of no value at the time it is decoded. That is, we have solved the problem of protecting data on our network.

[Klimov] What are the potentials of electronic mail?

[Davidov] In itself, it is very democratic. A person needs only a rudimentary knowledge of the computer to work with electronic mail, that is—know how to use a keyboard and how to read what appears on the screen. Everyone can be taught to use electronic mail in 20 minutes.

Because of this, our mail has great political significance: it makes it possible to exchange data capable of shaping public opinion. There is a concept—the teleconference.

Teleconferences—there are over 150 of them in our country—touch on all spheres of people's knowledge and activity: sociology, politics, medicine, biology, mathematics, music and other forms of art.

How are teleconferences created? People who have the use of electronic mail simply find each other by addresses, correspond with each other and announce that it is set up. It is a concept—subscribing to a teleconference is like subscribing to a journal or a newspaper. You subscribe to a teleconference, and from that time on you obtain everything that is entered in it, in full volume. At first you can simply ask for title-headings of information which has appeared there, and then, in greater detail, for what seems interesting to you according to the headings. As you do, for example, in a reference journal.

There are about 2,000 teleconferences in the world today, in all spheres of human activity, with the exception of those which pertain to strictly secret matters, commercial secrets, state secrets. There is also the possibility of making a closed teleconference, though, to which you cannot subscribe. In addition to what I have told you about cryptography, it can be encoded so that no one can read it.

The simplest form of using teleconferences is the commercial form.

[Klimov] It turns out that you have a good life, and excellent prospects. Where do the problems lie?

[Davidov] Remember, I told you about Internet? We are hooked up to Internet, and have access to all open world teleconferences. We can subscribe to each of them and receive, in any corner of Russia where there is a telephone and a computer hook-up. In this case, the fee for receiving the teleconference does not pertain to the maintenance, but only to the cost of the telephone line subscription at the time of transmission. You pay as you do for an intercity conversation, and you obtain all the information, which you would have had to pay for in currency. The saving here is fantastic, and the profits are fantastic, and no one has tried to calculate them. This is not profit for the Demos Company, though—it is profit for society.

Just where is the policy here? The point is, our electronic mail in Russia has developed as the activity of approximately a dozen programmers. The state has not spent a single kopeck. Commercial structures have begun to appear, and have formed local networks. They use our Russian mail as transit. Foreign firms have fallen upon our Russian market with the offer of various services. These firms have a lot of advantages. The first one is—they have at their disposal technology, equipment and money.

The second advantage is: our inhabitants have formed the idea that electronic mail services are better in the West than they are in Russia. Therefore, if there is a choice, and it is equal in cost, Russian customers choose a Western firm.

To what does this lead? If domestic operators perish in a competition of Russian electronic mail, then all the networks where information is fed, our national wealth, which you cannot measure in rubles, will belong to a foreign master.

If the mail machines, which, like mail communications centers, organize information traffic in Russia, belong to a foreign firm, what will happen? Imagine—at any moment, the master from abroad could switch on and switch off the mail machines. We are creating the conditions for information blackmail. If you look deeper into it, we could become purely an information colony for the West.

[Klimov] Which foreign firms are most active in computer expansion?

[Davidov] I will answer your question, but first about the essence of the danger. It lies in the fact that an increasingly large number of customers are using electronic mail devices which belong to Western firms. This means that these firms are gaining the opportunity of manipulating these devices. If there are several of these firms, then there is little likelihood that they will conclude an agreement among themselves. But when some one large corporation penetrates the country and starts monopoly operation of the electronic services market, this is dangerous for state security.

The American corporation, Sprint, has become just such a corporation for Russia. An overwhelming number of banks are already using the services of this corporation. Moreover, it is offering nothing qualitatively new, compared with what our domestic networks offer. The computers which form the mail centers of this network, however, already belong to Sprint.

An interesting situation is forming. We are competing with Western corporations, just like the peasants who grow grain. I see nothing bad in this. This is the pike which keeps the carp awake. Unless Russia's electronic mail obtains state support, though, it will perish.

Then it will cost Russia a great deal of money to re-establish its fully controllable situation. Do you understand? So that you can understand it completely, imagine that all the communications divisions belong to an American corporation. This is impossible, right? But electronic mail is a step forward over postal communications, and it is already being seized by foreign capital. No one will sound the alarm, no one will support our electronic mail.

When we ask for credit, they say to us, you are a private firm, you act on a competitive basis. It is the same as saying: there are 20 units of missile forces. There is not enough money for all of them, but there is a market, let them compete with each other, and everything will be in order. There are places where the market must be controlled and must be very tightly regulated. Scientific-technical progress in Russia and the development of the economy depend not only on the way the plants make machine tools, but also on which means Russia will use to process the national flows of data which are formed in the process of social activity.

[Klimov] How do things stand with this in the Western countries, in that same America?

[Davidov] America does not have a single Russian company which would offer its services for money on the information market. In addition, there is no such company in Germany or England, not even in China. There is no such company, you understand.

Moreover, we are wasting our most precious thing—our national intellectual potential. That same Sprint company has taken two of our strongest programmers away from us. One of them, Vadim Antonov, was actually the first to launch our Russian electronic mail. Now he is in the United States, at Sprint, and is making over $60,000 a year. Our second leading programmer recently went there—Volodin—he is making over $60,000 a year. Our leading specialists are leaving. I do not have to explain where this is leading.

What is our trouble? We have no funds for expanded reproduction. The revenues are only enough to settle up with the Ministry of Communications.

In addition, approximately one-fifth of our users in general pay nothing. They include, for example, the schools. Lessons in information science are now in progress there. Virtually all the major VUZes in Russia are hooked up to electronic mail. The funds which the mail does earn are clearly not enough. If they give us credit at low interest, we will be able to develop a standard set of centers, to purchase the equipment which is most advantageous in the sense of throughput capacity, and to turn over these centers on a short-term lease. And in this way, we will be able to increase the throughput capacity of the network and the number of customers, to increase the profit, to pay back our loan and to maintain and develop the Russian RELCOM electronic mail.

*System for Protection of Nuclear Materials Presented

954E0669A Moscow SEGODNYA in Russian 2 Mar 95 p 9

[Article by Veronika Romanenkova: "Kurchatov RSC: The Latest Technology in 'Restricted Entry'"]

[FBIS Translated Text] Outsiders have always been denied access to the "holy of holies" of Russia's atomic science—the Kurchatov Institute. In order to get past the security posts placed at the gateways to the institute grounds and the entrances to every building, special passes are required, issued to a narrow circle of people. Someone finding himself for the first time at the center perimeter, with no directions or guide, would most likely simply get lost. The institute has other means of protecting its facilities as well.

Even if there were some loopholes in this mechanism, however, it would now be truly impossible to steal nuclear materials, for example. So believes Academician Nikolay Ponomarev-Stepnoy, vice president of the Russian Scientific Center (RSC)—Kurchatov Institute. At a conference convened last week, he introduced a new system for control, inventory, and physical security of nuclear materials as "ideal," and the very latest technological achievement.

This system is presently being used for just one structure on the RSC grounds—"Building No. 116." Two critical test units are located inside it—Narcissus and Astra—which contain "highly enriched uranium in large quantities." Passive and active barriers have been placed around the building, with vibration and microwave sensors. Thanks to these barriers—emplaced with great difficulty, incidentally, because of the winter cold—some plants had to be sacrificed, but we managed all the same to leave the prettiest trees in place, stated Yevgeniy Melkov, deputy director of the Nuclear Reactor Institute of the RSC.

He cited other defensive "barriers" as well—the roof has a plate with vibration sensors, and television cameras are mounted everywhere. The building is "stuffed" with communications systems, an independent energy supply guaranteeing two hours of normal operation in the event the current is turned off, monitoring devices for nuclear materials, and other equipment.

This project was implemented by the Kurchatov Institute and the Sandia National Laboratory (United States) within the framework of a bilateral contract signed in August of last year. All the equipment except for the television cameras is Russian-made, while the American side provided the financing. When asked by our SEGODNYA correspondent what the cost of the contract was, Vladimir Sukhoruchkin, chief of the nonproliferation and control department of the RSC, declined to answer, alluding that the total amount might seem too high. For every dollar received, approximately 50 percent has been paid to the treasury in the form of every conceivable tax.

Similar agreements have also been concluded with other American national laboratories—Los Alamos, Livermore, Brookhaven—which do more than enable propagation of the system for inventory, control, and physical security throughout the grounds of the Kurchatov Institute. The documents also encompass spheres of cooperation such as export control, research and development in the provision of guarantees and control measures for disarmament, and specialist training.

Mentioned among the tasks soon to be accomplished were application of the new security system to the central storage facility, Gas Works, main entrances, and perimeter of the Kurchatov Institute. In addition, Russian and American specialists are completing construction of a system of remote radiation monitoring of nuclear material repositories. This system will be presented to the April international conference on extending the Nuclear Technologies Nonproliferation Treaty.

RSC specialists are hoping to disseminate their experience to other nuclear facilities of Russia and abroad since, in the words of Ponomarev-Stepnoy, the world's existing protective systems require modernization. Especially since nuclear materials have today become the object of purchase and sale.

In this regard, it is planned in the near future to open a training and demonstration center at the Kurchatov Institute Gas Works. This facility has an experimental test unit with OR [experimental reactor] nuclear reactor for studying radiation shields and the radiation resistance of equipment; critical test units for neutron physics research; storage facilities for fuel, spent nuclear fuel, and radioactive waste. It will have three defensive perimeters with round-the-clock security, a contact alarm system at entrances, and volumetric alarm indicators in the premises. Computerized control and inventory of nuclear materials will also be provided at the Gas Works. Lectures and practical exercises should begin here the second half of 1995.

*Survival of Civil Aviation Pondered

954E0612A Moscow TRUD in Russian 15 Feb 95 p 3

[Article by Anatoliy Kochur, president of the Russian Flight Personnel Association: "We Fly, Hobbling Along in the Dark: Is There a Future for Russian Civil Aviation?"]

[FBIS Translated Text] Quite a lot has already been written about the critical situation in Russian civil aviation. In various domestic and foreign publications, however, the topic has been mainly the drop in the safety level of flights in domestic aircraft, the aging of the flying equipment fleet, etc.

There is no doubt that civil aviation reflects the deteriorating situation of the national economy. Even allowing for this, however, Russia should have a clear-cut, distinct state policy in the sphere of air transport, particularly in the period of transition to market economy conditions. Unfortunately, neither the government nor the RF Ministry of Transportation has one. It is clear even to a dilettante that the cut in domestic transport and the virtual elimination of aviation operations in the national economy, with the growth of the companies themselves, means: the Russian air fleet, with no hope of state support, has spontaneously aimed at the Western market, if not to obtain profits, then at least—to survive. Hence the inevitable future: since they are making good use of the potentials of our air transport, foreign states, for minimal currency remuneration, cannot burden themselves with multi-millions in investments in the development of their own aviation, with setting up additional work places, with the strengthening of their own national economy, etc. Why should they? The Russians will do it all for them.

It is bitter to realize it, but Russia, the United States' main competitor on the international transport market in the not far-distant past, has swiftly lost the potential accumulated through the decades, and, why hide it, is on the brink of liquidating its own civil aviation. The existing USSR Air Code has already come into conflict with the "market" laws passed by the Russian Federation, for example, "On Enterprises and Entrepreneurial Activity," "On Protecting the Rights of Consumers," "On Property," "On Certification of Products and Services," and others. The executive organs which the USSR Air Code instructed to monitor the fulfillment of the requirements of this legislative act have long ceased to exist.

Today there are about 12,000 departmental documents in force. A considerable number of instructions issued by numerous organs endowed with the right to handle questions of civil aviation have been added to this mass every year. What is the use of selecting any of this sea of papers, "according to one's taste," and taking no notice of the others?

On 23 April of last year, a Federation Government decree "On Improving the System of Certification and the Procedure for Investigating Aviation Accidents in Russian Civil Aviation" was published, which granted the Interstate Committee on Aviation, which has absolutely nothing to do with our country. the authority of a federal organ of executive authority. To the existing six organs of this type (Russian, it is true) was added a seventh—interstate. At the same time, a number of very important points of the basic international document—the Chicago Convention on International Civil Aviation—were violated. The RF law "On Certification of Products and Services," was also violated. The Edict of the Russian Federation President on the successor of the USSR MGA [Ministry of Civil Aviation], in the person of the Russian Ministry of Transportation, is being ignored.... And so on and so forth.

I am sure that no one could even imagine that, as the result of the justified struggle against the monopolist—the USSR

Ministry of Civil Aviation—an enormous monster would be reactivated, not even equaled in size in the USSR. Just imagine, this octopus is dealing with everything: from cartage to pipeline transport, river, sea and air, and highway transport. How did one of its main ideologists—A. Rutskoy, former vice-president, conceive the organization of efficient management of all this under the conditions of the difficult transition to new conditions of economic activity? How did he envision it? We will not find this out now, of course. A. Larin, first director of the Department of Air Transport, made a certain contribution to the business of forming a team of "reformers." Under him, the viable organs of administration and departments of the former USSR MGA, which might have been used effectively, were virtually demolished to the very foundation. The most irreparable damage was that—the most competent part of the staff workers left. We are reaping the results....

True, A. Larin, one of the first to realize the possible consequences of this "reformation," severely posed the question of reducing the state's role in civil aviation management. Only, it seems, the battle with the Ministry of Transportation and the Interstate Aviation Committee cost him the position of director. Having suppressed the "rebels," the Ministry of Transportation made a few rearrangements—and there were no revolts. Just as there was no single Russian aviation department.

Who is handling air transport management today? In the first place—the aforementioned Interstate Aviation Committee, to which the government has delegated the working out of a normative-legal base and control through a system of obligatory certification. In the second place—the Department of Air Transport—the remnants of the former Aeroflot, which are essentially a department of the Russian Ministry of Transportation and fulfill secondary functions with respect to the Interstate Aviation Committee. In the third place—the Rosaeronavigatsiya Commission, which, on a commercial basis, carries out state functions with respect to using the air space. In the fourth place—the Commission on Modernizing the Systems of Air Traffic Organization. In the fifth place—the VVS [Air Force] Administration of the Interdepartmental Commission for a Unified System of Air Traffic Control. In the sixth place—the Russian Transport Inspectorate of the Russian Ministry of Transportation. In the seventh place—the staff of the Russian Ministry of Transportation itself, with the Department for Coordination and the Department of Air Transport. There may be other structures as well, probably even that same Roskomoboronprom has one. This is the interesting picture that we get: there are many "managers," but no one to answer for anything. And this entire huge army of state officials is financed from the budget.

The present management of the Department of Air Transport could probably explain to the people, if it wanted to, how Russia, in spite of the Chicago Convention, has lost a national organ of civil aviation administration. It was this organ that was obliged to suggest to the incompetent higher state officials how to behave, so as not to place Russia in an ambiguous position in the eyes of the world community. It was the directors of this department who should have borne personal responsibility for Russia's lack of a state policy in this extremely important sphere, and lack of a program to get civil aviation out of the crisis.

There is not even any intelligent policy for the participation of the components of the Federation in air transport activity.

One can certainly sympathize with V. Yefimov, Russian minister of Transportation: having received this octopus-like economy, and being far from civil aviation by profession, he has acted accordingly. Namely, in so far as he could, he "distributed or furthered the distribution of powers" to everyone, who did not refuse this, realizing full well that it was always easier to "answer" collectively than personally. This is the way Russia's civil aviation became an uncontrolled system.

In summing up what has been set forth, let us ask ourselves the question: where did this sector rush off to, does it have any future? I think that the reader has already answered for himself. I will take the liberty, however, of suggesting a way out of the blind alley. While I do not claim to have indisputable judgment, I think that it is necessary for public organizations and movements to take strict control over the activity of the structures engaged in managing Russia's civil aviation, using all constitutional means for this purpose. The government did not and, it appears, will not deal with these "trifles," but to us, who work in this sector, its present and future are not a matter of indifference.

We will be grateful to all those who support the initiative of the Russian Flight Personnel Association on discussing and passing, in accordance with established procedure, the draft of the Air Code of the Russian Federation (worked out by this organization), since the official organs have resigned from this work.

Making use of the opportunity granted by a popular newspaper, I wish to appeal to the President of the Russian Federation with a request to reform the numerous organs of civil aviation administration, and to create, on their basis, a unified aviation department, using for these purposes the concept of the development of civil aviation and the structure of the executive organs of administration of Russia's air transport worked out by the Russian Flight Personnel Association.

Note must be made of all the normative acts passed earlier which run counter to the Chicago Convention, the Constitution and the existing legislation.

It seems that these steps, which require no expenditures, and which make it possible to relieve the budget of the need to finance a huge and irresponsible army of state officials, will be able to yield positive results in a very short time.

*Lack of Aviation Safety, Procedures Deplored

954E0614A Moscow IZVESTIYA in Russian 28 Feb 95 p 5

[Article by Gennadiy Bocharov, member of the board, International Aviation Safety Foundation: "How Russia's Skies Are Being Torn Apart"]

[FBIS Translated Text]

Vnukovo Apocalypse

The first break in five days in a solid fog over Vnukovo Airport. Sharkevich, chief of central air traffic control, opens the airport. However, he does not specify arrival times. Within 20 minutes 32 military and civilian flights are headed for Moscow from various cities around the country. Permission for takeoff is given to military aircraft by local military air traffic controllers, and passenger aircraft get permission from civilian controllers. No announcements to other airports are made: neither the regulations nor any other guidelines require that.

Meanwhile, the weather at Vnukovo airport is getting considerably worse. The break in the fog has disappeared. Landings are impossible. Twenty-eight of the flights headed for the capital are diverted and sent to standby airfields. The rest continue their course for Moscow—they do not have enough fuel to reach other cities.

The first passenger aircraft that forced to land at Vnukovo leaps across the invisible runway and slams into the ground. Engulfed in flames, it burns up within three minutes. Everyone on board is killed. Among the passengers is Academician N. Burdenko, chief surgeon of the Soviet Army. The second airplane, the crew of which in the fog mistakes the lights of a railway station square for the runway lights, crashes 30 meters from the airport entrance. Everyone on board is killed. The third airplane crashes into the old Vnukovo school with a hellish crash. Everyone on board is killed. The fourth—an Air Force plane—makes a desperate attempt to find even the slightest break in the fog, expends its last drops of fuel and hits the ground between Vnukovo and Podolsk. The sound of its death agony is swallowed up in a wet snowfall. Thus concluded—on 6 November 1946—one of the most tragic incidents in the story of man, sky and land. There is no doubt whatsoever that, unlike many other disasters, this one at Vnukovo became experts' main argument in favor of establishing a unified state-run air traffic control system.

The first decree regarding this matter was signed by Stalin. The fathers of the first official air traffic control system in the USSR—including V. Sporyshkin and M. Teterin, who are still alive—had reason to celebrate. Their efforts had been successful. But Stalin's decree, like all that followed it, was never implemented. It never became law for the country with the largest airspace in the world.

...An Air Force An-12 with rosy-cheeked future officers on board is on a course set by a military air traffic controller. The same course is being followed by a civilian Il. On board are passengers, certain of their safety. The Il is under the control of a civilian air traffic controller. Still—it is 1969—neither the military nor the civilian controller is in contact with the other. No one is monitoring their operations. Approaching Vnukovo Airport, the aircrafts' flight paths begin to intersect in the sky over Yukhnovo. Within 30 seconds they are moving rapidly toward a collision. The aircraft collide in mid-air, each destroying the other. Bloody bodies and burning fragments of metal fall to the ground from a great altitude. Once again, the tragedy's echo is heard in government offices. Another meaningless decree is issued.

...1973. Another midair collision. Another decree by the CPSU Central Committee and the USSR Council of Ministers... Not implemented.

...1981. Vicinity of Blagoveshchensk. A passenger An-24 and a military Tu-16 collide. A row of coffins. The reason for the disaster is the same: autonomous operations by military and civilian air traffic controllers.

...1982. Two-part air traffic control system completed. Two—again! Which two? Once again, the Air Force and the Ministry of Civilian Aviation. Experts' opinion: the system is doomed. The sky's sentence...

...1985. A terrible disaster over Lvov: a military An-26 slams into a Tu-134 passenger aircraft. An endless row of coffins.

...1994, three months ago, 11 November. Altitude 9,100 meters. A Tu-154 with passengers on board is in route to Hannover. At a distance of 245 kilometers from Vnukovo Airport an Air Force fighter appears directly in front of the Tu-154. It assumes an attack position and closes to 500 meters. The astonished crew and Moscow Air Traffic District civilian air traffic controllers 1st class Minakov and Kozlov freeze at their radar screens. A moment later they spring into action like super-precise automatons. Finally with the aid of their commands the Tu-154 is steered clear of the flight path being claimed by the Air Force fighter. Directed by some unidentified military air traffic controller from somewhere outside of Smolensk, after six (!) minutes of attack maneuvers the fighter leaves the Tu-154's crew free to continue on their way, virtually in a state of cardiac arrest.

And so nothing changes.

S. Sulayev, chief of Russian Air Navigation's Main Inspectorate for Air Traffic Safety, reports the incident, which almost ended in tragedy, to M. Kolesnikov, chief of the Russian Armed Forces General Staff, V. Panichev, the Federation's chief military prosecutor, A. Safonov, first deputy director of the FSK [Federal Counterintelligence Service], and A. Godunko, chief of an administration in the Russian Federation General Procuracy. Sulayev is not counting on a quick response. However, high-ranking officials immediately issue special orders, and their implementation is placed under close scrutiny. This is the only sign of progress. It is worthy of being brought to public attention. Yet no one is capable of eliminating the main reason for the years-long drama that has torn apart our long-suffering skies. The reason, as Aleksandr Travnikov, general director of the Russian Federation Air Traffic Control Enterprises Association, put it, is a very banal one: Russian administrative stupidity. To illustrate the present situation, the former General Staff military lawyer and one of the leading experts in the field of international air law offers this imaginary dialogue with Col. Gen. P. Deynekin, the current command-in-chief of the Russian Federation Air Force.

The Dialogue

[Travnikov] Mr. Commander-in-Chief, every day the population of a large city—approximately 700,000 people—takes to the skies over Russia. Passengers are carried by Russian and foreign airlines. Air navigation services and takeoff and landing sequences are handled by approximately 9,000 civilian air traffic controllers. Do you possess the financial and physical resources to support those people and the air traffic control system as a whole?

[Deynekin] No.

[Travnikov] Are you, Mr. Commander-in-Chief, engaged in the technological or technical refitting of navigation equipment in the Russian air traffic control system?

[Deynekin] No.

[Travnikov] Do you, as Air Force commander-in-chief, ever have to deal with organizational problems relating to air traffic control?

[Deynekin] No.

[Travnikov] Do you, Mr. Colonel General, participate in the resolution of urgent social conflicts such as the threat of strikes—of which there have been 28—and hunger strikes—of which there have been 18—among our country's air traffic controllers?

[Deynekin] No.

[Travnikov] Do you bear any personal responsibility for the air safety of those 700,000 passengers who fly every day?

[Deynekin] No.

[Travnikov] Yet it is precisely you, as the commander-in-chief of just one branch, albeit the most powerful and respected branch, of our country's air fleet, the Air Force, who under current legislation is the sole owner of Russia's skies?

[Deynekin] Yes.

That is how it is, Travnikov concludes. Something like that is possible only in Russia. Travnikov's conclusion is depressing. But Russia is the successor to the USSR. There was no way that a totalitarian state dominated by the military could under any circumstances yield control of the skies to civilian authorities. And the inertia of the recent past is like a constant cold wind. It is blowing. And it is not slackening.

However, the problem of who owns the skies is not just a Russian problem. It has come up before, even in the most democratic countries. In America, for example. But it is precisely because America is democratic that it would not tolerate this state of affairs. There it was decided that during wartime the United States' skies would be under the control of military officials, and in peacetime of civilians. Obviously that kind of simplicity is insulting to Russian intellectuals.

Does the President Just Sign It and Forget It?

And so the standoff between otherwise quite amicable military and civilian air traffic controllers is beginning to approximate the philosophical concept of eternity. Nor was the problem alleviated by Yeltsin's 1992 edict creating a somewhat unusual structure, Russian Air Navigation. Russian Air Navigation remained above ministerial control for only a very short time. Thus far the protagonists remain alone one with their problems, and their autonomy is receiving sincere and open support. At every level. Figures in the 1993-94 state budget—not even 10 percent of which was ever implemented, naturally—also attest to this recognized autonomy.

At some point the improbable happens: the directors of Russian Air Navigation push through a government resolution on funding for a unified air traffic control system. That means that from then on the money air traffic controllers earn for their navigational services to Russian and foreign airlines can to a significant extent be used by Air Navigation itself. The best solution to the problem! As a result of extraordinary efforts by Russian Air Navigation—the chief proponents of a unified air traffic control system—a long-awaited turning point has been reached in the system. Five modern navigation complexes are being added, 20 satellite uplinks are being purchased, and more than 500 Russian air traffic controllers are being sent abroad for English language instruction funded by Aeroflot—the Russian International Airline, Finnair, Lufthansa, Georgic Atlantic, Air France and British Airways, with which Air Navigation has established partnership relations. Regional air traffic control centers are being upgraded. Work is starting on the use of space-based communications for the benefit of the unified air traffic control system, and hence for the benefit of millions of airline passengers—satellites with tremendous technical capabilities and designed by the genius of scientists and specialists like Mikhail Reshetnev are today often wandering uselessly through space, like hunks of rock. Other steps are also being taken—anything to overcome the crisis. Anything to approach the standards that have long been established in civilian aviation around the world. Anything to retain our personnel, a family of individuals dedicated to their trade.

The first result of these changes has been improved operations in every part of the unified air traffic control system.

Russians who have seen the flying world can sense this. In a short period of time more international routes have been opened up in Russia's skies than during all the years of the Soviet empire.

But any celebration would still be premature. The air traffic controllers scarcely had time to turn around before they found themselves part of the Ministry of Transportation. Fate! The money—the first money ever earned by Air Navigation and available for its use—became the focus of close attention by those who only recently (in the darkest days of air traffic controllers' struggle for survival) were encouraging their autonomy. Now they are delighted that Russian Air Navigation is part of the Ministry of Transportation structure. That means the money goes into the common pot! A tremendous rush of bureaucratic excitement went through the Ministry of Transportation's Directorate for Modernization of the Unified Air Traffic Control System, the existence of which cannot be explained in any rational manner. The directorate also suddenly discovered that it had need of Russian Air Navigation's money to modernize the navigation systems... of Air Navigation. The eyes of bureaucrats at the Ministry of Finance lit up as they wondered how they could channel the money earned by air traffic controllers through the federal budget. First take the money away and then, as in the past, make them beg for every kopeck they get back, demeaning them and demanding justification for the purchase of every transistor or light bulb. And put Air Navigation in its place by turning its enterprises into powerless Soviet-style government offices. Twelve exhausting Ministry of Finance and Ministry of Transportation audits in a short period of time! Because, as they say, money is our greatest joy, but money that belongs to someone else causes us pain.

What About the Rest of the World?

The marriage between the air traffic control system and government has never been a happy one, admits Bert Ruttenberg, executive vice-president of the International Federal Air Traffic Controllers Association (IFATCA). In recent years air traffic control problems in the developed countries have joined the top-priority issues leading government officials are trying to resolve. Also noteworthy are fundamental change in the way air traffic control is organized, as well as privatization.

What is at issue is operation of state-owned air traffic control enterprises according to the principles of private law. The idea of self-supporting operations is the most important idea, and one that is being accepted around the world with increasing enthusiasm, says Yelena Ustyuzhanina, manager of a company providing aerospace business consulting and a participant in a recent international conference on global privatization of the air traffic control system. This is already a reality that has been confirmed by one impressive example after another.

In 1992 the German air traffic control agency was transformed into a corporation. Behind the new name everything is new. Particularly the principles on which the corporation is based. It is essentially a limited corporation. All its shares are held by the German Government. The corporation operates on the basis of private law. The result: in two years the regularity of arrivals and departures improved by 28-30 percent.

Tiny New Zealand astonished the world with the same results as Germany when it was the first to try out a new structure in practice, not just in theory. Queen Elizabeth II announced England's intention of considering the issue of air traffic control privatization in her New Year's address to Parliament. Tremendous changes along the same lines are also pending in the American air traffic control system. On instructions from Clinton, Vice-President Gore has become head of a commission whose purpose is also fundamental change in the way air traffic is managed. The Federal Aviation Administration (FAA), as fine and respected as it may be, and in the opinion of some Russian officials also a model for Russia, may soon be a thing of the past.

Back Home Again

Russia has no aviation code. Russian Air Navigation's legal status is extremely complex. The economic principle under which air traffic controllers work—self-supporting operations—is not protected. The standoff between the Ministry of Defense and the Ministry of Transportation has reached a critical point. It should be acknowledged that by virtue of historical, technological and organizational reasons these conflicts cannot be overcome. Not today, and not tomorrow.

The lack of an aviation code lies at the root of the problem. There are three known versions. One is in the Duma. In the opinion of independent experts it is the best. However, before the code could be adopted an astounding episode occurred in the Duma. Deputy Ye. Ishchenko became outraged over an order by the Russian minister of transportation directing that as of November 1995 (I quote from the transcript—G. B.) "all communications in civilian air space shall be conducted exclusively in English." "I would like to know," the deputy asked his colleagues, "what equivalents will be found for the forceful language that has been used since olden times in Russia by every drayman, from wagon drivers to commanders of modern airliners?" And he continued: "I propose inviting our overzealous aviation administrators here to do some explaining..."

Instead of taking the deputy aside and calmly explaining that the statute concerning use of English is part of an international convention ratified by 187 countries around the world, including our own, and is therefore binding upon the services in question; that the minister's order refers only to upper air space and applies only to crews on international flights; that just last year two potential airline disasters over Russia involving Western airlines were averted and face saved for our country, not to mention billions of insurance dollars, solely because the Russian air traffic controllers had an excellent command of English; and that past disasters, including the infamous Berlin crash in which tens of passengers on board an Aeroflot

Il-62 died, occurred for one reason—Soviet pilots' poor knowledge of English. Instead, the chairman put the deputy's motion to call the minister of transportation on the carpet to a vote. The motion barely failed to pass. But the wheels were already in motion: paperwork, printing, couriers, memos, effort and time! No shame, and no conscience. No knowledge, and no responsibility.

High-ranking officials were not the first to feel the drama of this inescapable situation. Their attention was focused on infighting, not safety. It was felt by ordinary air traffic controllers sitting in front of their radar screens. And their professional instincts pointed to two issues in their service.

Firstly, the need to get out of the structure of local airports, which they had eagerly joined, lured by the words "stock issue." By getting out they preserved the unified air traffic control system, not just fragmented and doomed sections of it.

The second issue was even more important: they formed the Russian Federation Air Traffic Control Enterprises Association. The association is intended to protect their legal, professional and economic interests. In a wider sense, the association is a prototype for a domestic version of the corporations that are gaining popularity around the world, a model for unification of economic participants that will be based on the principle of self-supporting operations.

Now the association has been established. The problem is creating an air traffic control corporation. The matter is urgent.

The structure of this type of state-owned corporation would be solid and efficient. Its head would be appointed by the president of the Russian Federation. Its oversight council would include all the affected ministries and agencies: the Ministry of Defense, the Ministry of Transportation (thereby eliminating 70 years of conflict between the Air Force and civil aviation), the FSK, the State Committee for State Property Management, etc. It is this oversight council that would monitor the way use of air space is organized. The state-run corporation would do its job solely on the basis of an aviation code and other Russian Federation legislative acts, as well as a charter approved by the government of the Russian Federation.

That is to say, our country's airspace would not be controlled by a separate agency, as is now the case, but rather by the state. The state, through its own laws. And no one would be tearing up the state budget: the corporation would operate on a self-supporting basis. How many more proposals are needed? How much longer must we torment each other? How many victims of mid-air collisions between military and passenger aircraft will it take to make people wake up and deal with this issue?

Hope

It was in 1989 that I first wrote an article in the press discussing this air traffic control drama in the USSR. I must give the leaders of the USSR at that time their due: the article was noticed, and Prime Minister N. Ryzhkov signed a decree and followed up on its implementation, and for the first time in recent decades the air traffic control system got some real assistance. Now, six years later, I am hoping for a similar approach and for attention to this nationwide problem on the part of Russia's leading individuals—President B. Yeltsin and Prime Minister V. Chernomyrdin—who could also find themselves deprived of the ability to fly the skies of their own country. I am hoping for help from the Interstate Aviation Committee of CIS Countries (MAK—Mezhgusudarstvennyy aviatsionnyy komitet stran SNG) and world authorities—the ICAO and the IFATCA—and other organizations and airlines which have an interest in seeing civilized, not conflict-ridden, Russian skies and their integration with world airspace.

The issue of air traffic control in Russia is at its culminating point. Either it will be resolved as it should be, or else the skies will not tolerate our barbarism and infighting for control of their expanses and will fall on our heads, crushing us for a long time against the earth, cheated by ourselves.

* * *

P. S. As this article was being readied for publication, the Aviation Safety Foundation learned of a new blow struck against the Russian air traffic control system from the most unexpected quarter. The State Committee for State Property Management has issued to local areas a directive signed by deputy prime minister O. Kachanov suspending the establishment of state-owned air traffic control enterprises. The motivation, as always seems to be the case, is lofty and noble. The deadwood of Russian legislation is fatally convenient for smothering any new growth or any new undertaking. What has been done is very serious. But every cloud has a silver lining. Now at least we know who else will have to bear personal responsibility for each new tragedy in the sky.

*Russian Participation in London Oil Meeting Detailed

954E0655A Moscow DELOVOY MIR in Russian 25 Feb 95 p 7

[Article by Rostislav Gertsev: "Russian Oil in London Interior"]

[FBIS Translated Text] **The 400-seat hall in the Queen Elizabeth II Conference Center in London was unable to accommodate even those who had managed to receive an invitation. Journalists, businessmen, bankers and oilmen were forced to form up at the back, but even standing room was short: Some of the invited guests were accommodated in the lobby to watch the speeches on closed-circuit television. The interest was doubtlessly justified: As part of the traditional international petroleum week sponsored by the London Royal Institute of International Relations and the weekly PETROLEUM INTELLIGENCE, a conference was held here by the newly established Union of Petroleum**

Exporters (SONEK) of Russia, a country possessing 12 percent of the world's petroleum reserves, and occupying third place in the volume of exports of this product.

So what did the "interested persons" who convened at the union's international debut learn? Naturally, the speech by its chairman, Oleg Davydov, deputy chairman of the Russian government and minister of foreign economic relations, evoked special attention. The deputy chairman stated that establishment of SONEK was a reflection of the understanding by Russian petroleum importers of the fact that the infrastructure of exports cannot be created in isolation. The union brings together a number of foreign trade organizations and companies, regardless of forms of ownership and relationship to the state government, including enterprises established with the participation of foreign capital. Its main objectives were defined as promoting production of competitive products, raising the effectiveness of petroleum exports, and strengthening the positions of Russian goods in world markets. SONEK members will be provided the most active assistance in finding potential partners and markets, and consultative aid in matters concerned with the rules and traditions of petroleum trade and in consummating foreign trade transactions.

Special emphasis should be laid on the fact that the most important objective of SONEK is to protect Russian producers and exporters in the event that restrictive or discriminatory measures are implemented against them by other states or international organizations. This last provision is especially important to Russian exporters. According to data cited by O. Davydov, there are around 20 anti-dumping procedures in effect (or are being considered) against them today, and the direct loss from limits on access of Russian goods to Western markets is estimated at almost $2 billion. The deputy chairman stated outright that "political reasons are being offered as an excuse for economic discrimination" having the goal of crowding Russian goods out of world markets.

The Russian deputy chairman created a major commotion in the hall when he reported that the existing procedure, according to which trading in petroleum is carried out only through the institution of special exporters, of which there are 14 today, will be repealed in the second half of 1995. The government intends to stop taking a direct part in foreign trade operations, and transfer the right to determine both the directions of exports and the specific merchants to sector-based unions of exporters.

Oleg Davydov had some reassurances for foreign partners who fear that the union's establishment will lead to discrimination in access to transport pipelines by oil-extracting joint ventures: Joint ventures in Russia enjoy special national treatment, and they enjoy all of the possibilities for a fast return on investments. These ideas are supported rather well by the figures: In 1994, joint ventures exported 9.7 million tonnes of petroleum (10.8 percent of the total volume of Russian exports), and this year they anticipate exporting from 16 to 18 million tonnes.

The most important question in the audience's mind was what kind of price policy the union will maintain. SONEK deputy chairman Anatoliy Kolotilin (Nafta-Moskva) emphasized that the new association intends to act in the interest of general stabilization of the world oil market. "Dumping and unconscientious competition, the degree of professionalism, and defaults are problems common to all, and they must be solved by joint efforts," he declared. As far as participation of foreign capital in Russia's petroleum sector is concerned, SONEK has all of the possibilities and is prepared to act as "coordinator and publicist" of development of the legal basis of foreign investments into the Russian market.

We must not remain on the sidelines while the world petroleum community is actively engaging in development of the universal mechanisms of market regulation, and we wish to occupy a worthy place in this system. So said Vitaliy Kirillov (Mezhdunarodnoye Ekonomicheskoye Sotrudnichestvo Russian Joint-Stock Company), the SONEK deputy chairman for foreign relations. Russia possesses enormous reserves of natural resources, but recently its position in the world energy resource market changed significantly in the direction of weaker positions of Russian exporters, he noted. "This is unfair and unnatural. We need to restore the balance, which will be good for the stability of the entire world market."

The function was not limited to speeches and to answers to questions during the conference's plenary meeting. The union's leaders also had to "survive" a subsequent press conference, and naturally journalists were in a much more aggressive mood. Oleg Davydov even had to remind the press that it would be odd for Russian exporters not to be concerned for their national interests. "The West needs to finally realize that in view of objective causes, Russia is a price-forming country. And if for example an aluminum price of $1,200 per tonne is advantageous to us but it is bad for your economy, this doesn't mean that Russia has to concede to the interests of the West. On the contrary, the West must restructure its own economy. We will defend our companies in precisely the same way that you defend yours," emphasized the deputy chairman.

Anatoliy Kolotilin was compelled to answer the question as to whom SONEK considers to be its rival, for protection against whom it was established. "The union is acting not 'against' someone, but 'in the interests' of someone,' he noted. "In the interests of Russian oil producers and exporters, in the interests of Russia as a whole. We are not seeking adversaries—only unconscientious competitors. Export must proceed in civilized fashion."

It was not until after the press conference that I approached Vitaliy Kirillov:

"How in your opinion does the West perceive establishment of a union of petroleum exporters in Russia? After all, the West will now have to deal not with relatively weak individuals but with the unified trading policy of a powerful association."

"Even so, this is perceived as a positive phenomenon. They are much more afraid, after all, of spontaneous, unorganized, unpredictable actions, than of a strong competitor."

I obtained a confirmation of Kirillov's opinion in a lobby interview:

"To most Western importers this is good news," said Doctor of Economic Sciences Michael Dale, an independent scientist who had worked a long time with British Petroleum in the past. "An organized channel for communication, for negotiations, is now assured. This is a great advantage. In contrast to individual companies, the association is a more neutral, more objective entity. Moreover, Russia's fuel and energy complex is so enormous that there can be no doubt that it needs such associations, the activity of which is in principle extremely familiar to the West: Take for example the Confederation of British Industrialists."

"And how do you feel regarding the opinion I heard that Russia will now act more aggressively in the world oil markets?"

"Let's not deceive ourselves and play games with each other. Russia and the West can always come to terms: The source of the really large troubles has other geographic coordinates."

*RF Oil Exporters Union Launched

954E0615A Moscow PRAVDA in Russian 1 Mar 95 p 6

[Article by PRAVDA correspondent Pavel Bogomolov: "So the River Doesn't Become a Trickle: Notes From Russian Oil Forum on Thames"]

[FBIS Translated Text] London—"Do you think that the present London conference sets the stage for Premier Viktor Chernomyrdin's visit to Great Britain?," I asked Oleg Davydov, deputy head of the Russian Government, in the refined interior of the Queen Elizabeth II Conference Center. The atmosphere for this kind of question could not have been more appropriate: the forum, organized by the Union of Russian Oil Exporters, just created in Moscow, was buzzing with activity. V. Chernomyrdin's statement, which was distributed in the corridors, confirmed it: our fuel and energy complex is attempting to throw off the chains of its recent apathy and disorientation and strengthen its strategic role in the international as well as the national market.

"Of course it does," O. Davydov replied unambiguously. "In the broadest sense of the word."

A pro forma statement of the obvious? In the West, that is not the thinking. They invest a particular, frequently self-seeking, meaning in their mounting contacts with the refiners and exporters of Russian raw materials. Moreover, here they are constantly citing certain contradictions between the "forward-looking oil and gas lobby," whose leader is usually said to be the reformist-minded head of the Russian cabinet, and all the others, the much more conservative "red director corps." Provoking conflict by degrees between the two inextricably tied branches of heavy industry is BUSINESS WEEK, an authoritative magazine in foreign business circles:

"The struggle for power between the reformers and those who would like to turn the clock back is not over. The former—Chernomyrdin's group—support close ties with the leadership of fuel and energy companies like Gazprom and LUKoyl, which are intent on getting rich on their shares if capital investments from abroad continue to mount. Opposing this bloc are the leaders of the defense department and special services, as well as the deputy head of the Russian Government, Oleg Soskovets, who is supported by the administrators of various outmoded "foundries," metallurgical, and defense plants. Unlike the fuel and energy sector, these enterprises will lose a great deal if privatization goes any further. They are unlikely to receive major foreign investments, and if government subsidies are cut, many such productions will simply grind to a halt. . . ."

These are the kinds of preludes with which the Western press greeted both the very creation of the RF Oil Exporters Union and its London presentation. Actually, did this propagandist art preparation coincide with the conference itself?

Opening the discussion in a constructive spirit, O. Davydov gave an interesting and at the same time worthy speech. Distracting those gathered—of which there were several hundred—with the prospects for mutually advantageous contacts with the producers and suppliers of 80 percent of our "black gold," who have now joined together on a voluntary basis, Davydov defended Moscow's legitimate economic interests, which have been ignored abroad to this day. In the words of the orator (who was, after all, elected chairman of the RF Oil Exporters Union), branch concerns and pretensions and statewide, civic concern over the West's protectionism against Russia, which is continuing in world markets, have merged into one.

"We are not demanding anything beyond what other countries already have. Why is Russia still listed in many international economic accords as a 'state with a centralized economy'? Why are political motifs still being used for economic discrimination? Why is the practice of applying unfounded antidumping measures, frequently without sufficiently objective indications of market violations, still in use? The goal is clear: to crowd out Russian suppliers. Presently, about 20 antidumping procedures against Russian exporters are in effect or under consideration. The direct loss from restrictions on access of RF goods to Western markets is assessed at as much as US$2 billion. In effect, what the West is offering Russia in the form of financial and technical assistance is being eaten up by these restrictions."

Does this sound polemical? That is good. After all, recently we have stopped making direct, uncompromising statements about the most painful foreign economic issues. Although, of course, the conference was not initiated for disputes. Initially it was intended to familiarize British as well as transnational business with the goals and tasks of the newly created Union of Oil Exporters as a nongovernmental coordinating structure called upon to minimize the country's loss from the mixups and confusions in this area, to introduce elements of sense and regulation into the expanded competition between fuel suppliers, and to participate in working out a foundation of standards and laws and a foreign economic strategy.

The English, it must be said, understood fairly well why this kind of branch union arose specifically today. Uniform rates, without any privileges, for export duties are being introduced in a Russia worn out by the disjunction between old and new, quotas and licenses are being repealed, and the disbanding of the privileged institution of "special exporters" is under way. Access to the pipeline for joint ventures, which last year supplied 9.7 million metric tons of Russian oil and are now prepared to take this number up to 16-18 million metric tons, is being freed from discrimination and becoming fair. Joint ventures that are producing the raw material themselves have been freed from export taxes as well. In short, the period of wild contrast between private-owner arbitrariness and the punitive measures of the state in the sphere of oil exports seems to be coming to an end. Now it is clear to almost everyone that creating one's own foreign trade scheme is beyond even major producers. A voluntary union among them is essential—not a gendarme-distributive structure or market-crazy outlaws, but specifically a union.

Speaking after O. Davydov, our highly placed orators did not try to conceal the many crisis phenomena is both the production and the export of the raw material.[DROP?] At the same time, however, Anatoliy Kolotilin, deputy chairman of the Union of Oil Exporters, noted that in this branch the fight against depression is being conducted more successfully than in other areas. Last year, 44.5 percent of Russia's foreign currency earnings came from oil and petroleum products, and this year this index should grow, especially since prices on the world market rose on average to $115 per metric ton from $105 a year ago. Supporting his colleague, the other vice president of the branch association, Vitaliy Kirillov, reminded the audience that Russia, despite the wastefulness of recent years, still possesses 12 percent of the global resources of "black gold" and occupies third place in the world for its export.

However, we have not yet managed to occupy our truly fair and proper place in the world oil community, that complex structure of state departments, trade and industrial associations, and transnational corporations. There are multiple avenues for cooperation with foreign countries, but there are still very few genuinely broad-scale programs and long-term partnerships on a mutually advantageous contractual basis. Meanwhile, as Anatoliy Fomin, Russia's first deputy fuel and energy minister, confirmed, although we have already pumped out a total of 14 billion metric tons of oil, our unworked reserves are known to be at least 19 billion metric tons, to say nothing of the 8 billion metric tons in poorly studied deposits. In conclusion, Vladimir Medvedev, speaking for our parliamentary Committee on Mineral Wealth, talked about the gradual creation of legislation on issues of raw materials export and noted that the cycles of the Russian and Western economies fortunately do not coincide, a principle that heralds an influx to us of foreign investments at the most suitable moments.

Seemingly all this argumentation would be perfectly convincing and the listeners would have nothing to do but leave the conference hall for their firms and banks in order to immediately notch up capital investments in Russia. Unfortunately, Englishmen would not be Englishmen if they did not respond to the series of optimistic speeches by our oil exporters with their own cautiously realistic supplementary reports. Delivered by John Mitchell, director of the energy and ecology research program at the Royal Institute of International Relations, this supplementary report was, if not icy then somewhat of a cold shower.

"When I went to the Soviet Union in 1976," said Mitchell, "the country was living with the results of its broad-scale oil program begun in 1965. One could, of course, complain about the expenditures approach, the insufficient attention to certain other branches, and other expenses, but on the whole the atmosphere then won us over with the purposefulness and specificity of its goals and results and the record level of output—as much as 5 million barrels a day. Actually, Western Europe—above all Great Britain and Scandinavia—were then going through an analogous oil boom in the North Sea and were not shy of those very same extensive approaches.... So what are we seeing today, one asks? Since then an entire era has passed; the branch has become unrecognizable—computerized, intensive, inventive, focused in its organization and management on the new millennium. High technology, horizontal drilling methods, and other principles of cost accounting and taxation have spread. In Russia, much has remained unchanged. You may have missed the moment in the 1980s when you should have weighed, analyzed, and reevaluated a great deal. It is not even a matter of volumes of production dropping and natural and climatic conditions deteriorating. The overall disposition has been lost, the collectives scarcely feel long-term stimuli, and tranquility and confidence have vanished."

According to Mitchell, it would be a mistake to ascribe all this to problems in just the one branch. Yes, oil has experienced several crisis upheavals. Yes, it has suddenly felt the acute lack of capital investments. Yes, a technological decline is under way. However, all this is merely part of the problem. Oil is a problem on a national political scale. Like a sensitive barometer, it points today not only to the statewide constitutional crisis but also to the crisis in spiritual and moral values, a crisis so profound that it cannot be halted right now, only slowed. But how? Federal and local authorities are suffering from despair. Private and joint-stock capital, as a rule, has no desire to move into the tundra or the Arctic Circle. Privatization is not yet operating on this level, slowed down by the general political risks and the "minuses" of taxation. All that remains is hope for foreign investors. Some of them are going straight to Russia, but others are fearful. "Isn't it too late?" they think. "After all, the Russian belief that reserves are going to last for 20 years of industrial exploitation, may not be true."

One way or another, Mitchell cooled the conference atmosphere and forced the audience to look at the problem from the other side. His statement sounded convincing, in my opinion. The practical recommendations, in which the orator revealed himself to be a Thatcher-type monetarist to the core, was another matter. Mitchell, you see, is convinced that domestic prices for oil and petroleum products in Russia should be brought up to the world level immediately. Then, he says, both corruption and confusion will vanish in several aspects of the development of the fuel and energy sector. The Russian collective farmer or energy worker at some thermal power station can buy his gasoline or fuel oil not at 45 percent of international rates but at the same high rates as foreign importers.

The Russians, headed up by O. Davydov, gave battle to these half-formed intentions, although, to be honest, the difference at home between domestic and world prices is becoming smaller and smaller. Meanwhile, as the Union of Oil Exporters says, Russia must not blindly bend to the dictate of foreign markets in everything. It itself—already by force of its scale and natural wealth—is a price-creating country, although not in the administrative-command sense of the word. So why shouldn't the West adapt somewhat to our positions? When the Western European Common Market was being created, for example, all its participants grudgingly were forced to agree in advance to cheap prices for Spanish wines, Italian footwear, or, say, German steel. So why now, having satisfactorily opened the once closed Russian economy for themselves, is the West refusing to reckon with our ideas about prices for aluminum, copper, or oil?

Our exporters also did not agree that the interest of major transnational capital in exploiting Russia's fuel and energy resources is close to nil, and we are thinking about increasing productions in the upcoming years, not curtailing it by any means. Sakhalin, Pechora, and several other regions already have contracted or are now in the process of contracting for a colossal sum—US$100 million. Moreover, funds have already been found to come up with new schemes for exporting northern oil to Finland via Karelia, Yamal oil to Germany via Poland, and Tengiz oil via Novorossiysk.

A great deal—even too much—Russian fuel and energy is being delivered abroad. Our natural storehouses are emptying out. After all, our foreign indebtedness keeps increasing! We used to conceal our laziness, bureaucratism, and sluggishness with our raw materials export, but today we are trying to justify a much more serious evil—the disintegration of a once great country, the indifference and alienation of some of its citizens, and the "grabby" instincts of others. What will we try to mask tomorrow? And with what?

*Transport Machine-Building Production, Performance Viewed

954E0623A Moscow GUDOK in Russian 2 Mar 95 pp 1-2

[Interview with E. Vasilyev, president of the Transmash Interstate Joint-Stock Concern, by L Kizilova; place and date not given: "In Defense of the Domestic Market"]

[FBIS Translated Text] **Our interlocutor is the chairman of the Transmash Interstate Joint-Stock Concern.**

Russia continues toward becoming a raw material power. The processing branches found themselves in a most critical state. How does transport machine-building appear against that background? What measures must be initiated in order to stabilize it? That was discussed last week by E. Vasilyev, president of the Transmash Interstate Joint-Stock Concern during his appearance at the State Duma hearings. Our correspondent talked with him about the most pressing problems in domestic transport machine-building.

[Kizilova] How do you view the drop in production in your branch?

[Vasilyev] There has been a steady decline since 1985; presently, the drop in production volume amounts to 500 to 1,000 percent for some individual types of products.

[Kizilova] Why is 1985 taken as a point of reference instead of the preceding year?

[Vasilyev] Because that is the year when perestroyka began, and this level of production is most indicative. After that there was a steady decline. A further drop in production may lead only to total stoppage or reprofiling. Examples of that already exist. At the Bryansk Machine-Building Plant, for instance, the output of refrigerator railcars was discontinued completely. Formerly we supplied the Ministry of Railways with 1,500 such cars a year.

Renovation of rolling stock in railway transport has almost stopped. The Ministry of Railways is our main customer, and I should be criticizing it. Under the circumstances, however, I will thank it because the leadership of the Ministry of Railways is doing all it can to support our industry. Still, using its forces and financial resources, the Ministry of Railways is unable to resolve the problems concerning purchase of rolling stock. This always required state support, which now is practically nonexistant.

If the renovation of rolling stock continues the way it is today, then in the very near future there will be some big obstacles looming in the entire transportation process. So far this is understood in the Ministry of Railways and by us, the producers, but in the government and higher no one wants to understand this. Developing the transportation industry is not an isolated and not even a branch question; it must be viewed within the context of the state economic policy.

[Kizilova] How do you regard the results of that policy?

[Vasilyev] Unfortunately it is not leading to the development of the domestic market but practically to its disintegration.

There are absolutely no premises for overcoming inflation, which is surmountable only through financial stabilization that can occur exclusively with the development of the Russian domestic market, the development of production. There are no miracles and there is no other way. By the way, if one analyzes the components of inflation, it turns out that about 45 percent of it is accounted for by a decline in production and an increase in its costs, 35 percent by inflationary anticipations or instability in society, and only 20 percent is brought about by excessive money supply.

[Kizilova] You speak about the lack of premises for overcoming inflation, but at the same time at the very highest level assurances are being uttered concerning the so-called stabilization that has supposedly come about.

[Vasilyev] When I hear such things I recall the cartoon in one of the central newspapers. It shows a casket with a corpse and two doctors standing next to it. One says to the other: "Write the diagnosis—total stabilization."

I will cite several figures. characterizing the results of our economic policy. The share of imported goods on the consumer market in 1989 came to 5 percent; in 1993 it was 10.3 percent; and in 1994 it was 40 percent and even 60 percent regarding some goods. In the larger cities that share reaches 70 percent.

If that trend should continue in industrial production—and there are solid grounds for that to happen—we will change into a country with a colonial type of an economy; we sell raw material resources and import everything needed for living.

If one is to evaluate the state of the domestic market with regard to machine-building production for transport (not only railway transport), it is possible to assert that either there is no protection at all for that market or it is so weak that it is not even worth mentioning.

[Kizilova] Your recent appearance in the State Duma specifically included some concrete proposals to protect the domestic market. What are they?

[Vasilyev] The protection of the domestic market, first of all, consists of customs import duty. Government decree No 196 of 10 March 1994 established either totally duty free import of products of transport machine-building or rates at the level of 5 to 10 percent. However, if one takes into account that only 20 to 30 percent of the production capacities of Russian transport machine-building are being used, it becomes clear that very favorable conditions are being created for delivery from abroad of products which we can make ourselves.

[Kizilova] Could you illustrate this using examples pertaining to the railway?

[Vasilyev] Certainly. The Kaluga Transport Machine-Building Plant manufactures a fully competitive quality tool for use in track maintenance in the Ministry of Railways. The delivery of similar tools produced by the Zheysmar French firm, which offers no advantages compared to our own products, has already started to a number of railway transport enterprises.

We regard such a situation as impermissible and have submitted our proposals to the Duma requesting establishment of import customs duties for transport machine-building products at the level of no less than 50 percent.

[Kizilova] What can be done with such products as, for instance, Czech locomotives?

[Vasilyev] Of course it is possible to establish some kind of preferential duty specifically for that type of product which we are not yet producing, but this should only be temporary because we will have to manufacture them.

Now let us examine what conditions we have created for the delivery of our products for export. Here are two examples.

The Abakan Railcar-Building Plant produces 20-tonne containers that are just as good as foreign-made ones. They were being delivered to developed capitalist countries, but now conditions have been created making the export of such products impossible. Our container costs $1,450 at the plant plus the freight tariff of $700 for delivery to ports of St. Petersburg or Tallinn. As a result the total cost comes to $2,150, while the competitive price is $1,800-1,900.

The next example is more scandalous. At the Bryansk Machine-Building Plant we manufacture powerful diesel engines for large ocean-going vessels under a licensing arrangement with the Dutch firm of Burmeister and Wein. There is one other firm in the world that also produces it. Inasmuch as these engines are produced under a licensing arrangement their production involves the use of a large number of imported components. How are our laws compiled? If that diesel engine is delivered for export then the value added tax is not applied to the components, and customs duties are not levied. If we supply this same diesel engine to a domestic shipyard, then the imported components are subject to value added tax (of 28 percent) and customs duties. As a result the cost of our diesel on the domestic market becomes greater than that of a similar diesel engine produced by the foreign firm. It is more advantageous for our shipyard to buy it not from its own but from a foreign plant. That is totally absurd!

We made concrete proposals on how to change the law on value added tax, the customs duty, and the customs code. In addition we proposed how to remedy that absurd situation by government decree before the laws are changed.

[Kizilova] How were your proposals received? At what level were they discussed?

[Vasilyev] We discussed them at the level of committees on industry and economic policy. Parliamentary hearings were held. Our proposals were recognized as being feasible.

By the way, these problems relate to the production of the entire machine-building branch—not just transport machine-building—and they must be resolved without delay.

Regarding protection of the domestic market from the inside. The long-awaited law on deliveries of products for federal state needs—that is on state order—finally appeared in 1994 in Russia. Everything in it, however, is described in an insufficient manner. Therefore we proposed changes in Article 1, Point 2 of that law, which should contain a clear indication that deliveries of products for state federal needs are also carried out "for the purpose of ensuring stable development of railway transport and maintaining a necessary level of renovation."

Until now that law has not been working at all. In part it stipulates that the state ordering organization must be determined (in our case, the Ministry of Railways) and that it must conclude a government contract with us; all requirements must be defined in the federal budget, and federal programs must be adopted. None of that is being done! The federal program for locomotive production was approved by the government, and the government then stated that it must be financed by the Ministry of Railways. What kind of a federal program is that?!

That same law also provides for certain benefits for enterprises fulfilling a state order in the form of subsidies and credit on preferential terms. That is needed by our plants to supplement working capital of which they were deprived. Without that they will collapse completely. Therefore it is necessary to fight for the fulfillment of that law by all possible methods and means.

[Kizilova] What sources of production financing and investments do you see beside the state budget?

[Vasilyev] In our country there is no legal basis for leasing. At the same time, in the rest of the world transport is not only supported by the government, but leasing companies are also created which purchase rolling stock from producers and provide it on long-term leasing terms to the transport companies.

We are proposing the creation of a large transport leasing company. There are many firms that are interested in the shipping of freight by rail. They could become the founders of a company and, in contact with us and the railways, could carry out their policy. We have some proposals, but certain guarantees by the government are required in this case as well.

Regarding sources of financing, I can name another one. We are currently attempting to find firms that are prepared to purchase Ministry of Railways debts which could be repaid by shipping the firm's freight by rail. Unfortunately, the firms that were selected became unsuitable after conditions were worked out, but we will continue our search.

Now let's talk about investments. At best six to eight kopeks from every ruble earned remains with our enterprises. In a number of cases expenditures (together with taxes) exceed earnings. What kind of development can there be at the enterprise? That is precluded. We are not carrying out modernization or technical rearmament.

Presently the government has recognized that without foreign investments it is practically impossible to develop industry. According to Minister of Economy Ye. Yasin, in the beginning of this year the Russian economy received about $3 billion in foreign investments. I am certain, however, that most of these funds, including so-called "portfolio" investments, which are circulating in the financial sphere, do not reach the producers or reach only ones like, for instance, the oil companies.

How is it possible to attract foreign investments? There is edict No. 1004 of 23 May 1994 on certain questions of tax policy. In that edict it states that enterprises with foreign investments engaging in production activity are entitled to certain benefits regarding the tax on profits if their statutory fund amounts to $33 million while the investor's share is not less than $10 million.

In our country fewer than 10 percent of the enterprises have such large statutory funds. The remaining 90 percent of the enterprises are not affected by this edict at all and we immediately cut them off.

In our concern there are only three enterprises out of 57 with such a statutory fund: the Bryansk, Tver, and Kolomenskiy plants. What investor will go to such "monsters" and invest $10 million? We could differentiate a certain individual type of production at these enterprises and direct the Western investor there, but to do this we must remove the absurd restriction. With such legislative barriers we ourselves are blocking the way for western investments to reach our industry.

[Kizilova] You mentioned the federal program of locomotive production, but there are also programs for the development of suburban traffic and passenger railcar building. How are they financed?

[Vasilyev] The only suburban traffic program has now been adopted and is being financed through the state budget, and the state provides support for the Demikonsk Plant. We introduced capacities for the production of 534 railcars there. Some 12 full trains were prduced last year, and production of motorized cars has now started.

Locomotive production has already been mentioned, but the program is not working since the government dumped financing responsibility on the Ministry of Railways.

The program of passenger railcar building was worked out by the Ministry of Railways together with us. It is yet to be adopted.

[Kizilova] What orders does the Tver plant have from the Ministry of Railways for this year?

[Vasilyev] The contract with the Ministry of Railways of the Russian Federation has been signed, but financing out of the budget today covers only 140 cars. That is slightly more than 10 percent of the available capacity and only 7 percent of the annual requirement of the Ministry of Railways for passenger railcars.

Without adoption of a federal program and its financing out of the budget as a priority matter Russia will not have its own passenger railcars.

[Kizilova] How will the "vacuum" be filled that formed after deliveries of Czech locomotives stopped?

[Vasilyev] Our capacity makes it possible to compensate for the former Czech deliveries of shunting diesel locomotives. As far as electric passenger train locomotives are concerned, the indicated federal program envisaged the creation of production capability at the Kolomenskiy Locomotive Building Plant. The federal program is not working. It seems that making purchases in the Czech Republic is an expensive proposition and at the same time we are not producing ourselves. That poses a serious threat for railway transport since the pool of electric passenger train locomotives is aging and is not being renewed.

[Kizilova] You proposed complex measures to protect the domestic machine-building market. In your opinion, is there any hope that it will be possible to prevent its disintegration?

[Vasilyev] In my opinion there is, otherwise we would not be doing this work. I think that it must be joined not only by the Duma and the government, but also by the press which must shape public opinion in support of the domestic commodity producer and defending his interests.

*Agrarian Reform Proposals Not Lightening Peasant Burden

954E0613A Moscow TRUD in Russian 21 Feb 95 p 3

[Article by Vasiliy Shchurov: "It Is February. It Is Time To Sow Edicts; The Government Recommends That Each Rural Inhabitant Have His Own Property Share"]

[FBIS Translated Text] A new tradition of reform appears to have sprung up in the agrarian sector. As soon as the "spring breezes blow" and the strain of the sowing season starts giving the peasant a headache, arguments over agrarian reform break out in the capital. This is understandable: If new rules are not instituted in a hurry, the sown fields will not be repartitioned, and everything will have to be postponed until late fall.

It is no coincidence that local officials received a memo from the analytical center of the chief of state's administration a year ago, signed by P. Filippov and ordering that collective farms be divided up right away, before the sowing season. It is true that the hastily prepared presidential edict, which was supposed to have legitimized the new "great reapportionment," never saw the light of day, but there was enough time for the "memo" to arouse panic in the minds of local administrators and evoke a wave of indignation on kolkhozes and in limited-liability partnerships and joint-stock companies.

The latest message the agricultural administrators received from the capital took the form of a government decree—"On the Procedure for Exercising the Rights of Owners of Shares of Land and Property." It is a detailed list, in the form of recommendations, of everyone eligible for a piece of the common "pie." A share of land, for instance, can be claimed by any adult in a rural community, but a share of property can be claimed only by people who now work or did once work for the agricultural enterprise in question. The decree also institutes the principle of appraising land in terms of the hectare rating system and stipulates the procedures for the exchange of shares, their leasing, and their purchase and sale at intraorganizational auctions.... The decree is based on the well-known Nizhniy Novgorod experiment, the goals of which were publicized more than a year ago. First of all, it was supposed to create the necessary conditions so that anyone who wished to use his share for private farming could do so without any problems, while the anticipation of dividends would arouse the same "feelings of proprietorship" in all the rest. Second, it was supposed to set a mechanism in motion for the redistribution of land, so that it would end up in the most conscientious and capable hands after the reapportionment-sales and auctions.

Before the ink of the premier's signature had time to dry, a storm broke out in the upper echelons of agrarian administrative structures. Members of the agrarian faction in the State Duma and the Agrarian Party of Russia approved and published a message to Yeltsin and Chernomyrdin. It called the government's recommendations an appeal for "a new era in the reorganization of agricultural enterprises" and for the "indiscriminate sale of the land." It announced that this was certain to result in the total ruin of rural communities, the curtailment of agricultural production, and the loss of the country's self-sufficiency in food supplies. The message ended with an earnest plea for the immediate suspension of the decree, "to give the peasants a chance to sow crops and finish the wintering of livestock."

Do you wonder why there was such an intense emotional response? No one, after all, denies the right of the peasant to a share of kolkhoz property, and there is some experience in the exercise of these rights (both within the confines of collective farms and after separation from them) in Dagestan and in Orel, Pskov, and Kaluga oblasts.... The most obvious reason is that the Nizhniy Novgorod option envisages the purchase and sale of land at auction, and this has been categorically opposed for a long time by agrarian forces in the Duma and the Federation Council. There is also another reason, however. The latest draft of the bill "On Agricultural Cooperatives" is being prepared in parliament now. It envisages the possibility of including shares of land in the authorized capital of the cooperative (or partnership), after which the physical person would essentially lose his right to the land. In other words, a person could only reclaim his plot of land with the consent of the members of the cooperative, but they would refuse to grant anyone this right for obvious reasons.

In this context, we should recall that the fight between the ideologists of "collective" and "private" farming has been going on for years. Laws and decrees are passed and are then amended or supplemented—depending on which side has the upper hand at the time. In the absence of an agreed program of agrarian reform, all of this often leads to decisions that contradict earlier ones. The inconsistency leads to errors, which are immediately exploited by opponents, and then the old fight breaks out again with new force....

The inability of the legislative and executive branches of government to reach an agreement and make a joint decision on the future of rural communities is not the only distressing aspect of the matter, however. Fights eventually lead to the truth, but only if concern about the matter in question outweighs political ambitions. What is particularly distressing is the very way in which the authors of the "memos" and "recommendations" and their critics see the rural inhabitant. It is as if he only dreams about grabbing a piece of the kolkhoz and then either using it to "make his own fortune" or selling it to the damned imperialists. He also might dream of getting hold of a privatized tractor and a cow from an animal husbandry farm and then selling these and using the proceeds to get drunk or squandering them on other excesses.

We have had enough, Gentlemen and Comrades. Three years of reform have provided us with ample proof that we are in no danger of rampant private farming and that the overwhelming majority of plowmen want to work on a collective farm. The leader of the Russian Association of Collective and Peasant Farms, V. Bashmachnikov, recently declared that only a negligible increase, if any, can be anticipated in the number of private farmers in the near future, even under favorable conditions. As for the efforts to divide and sell all common gains..., the peasant will not open an account in a Swiss bank. He and his children will stay in the rural community and live off the land. When I asked the chairman of a joint-stock company near Kaluga what he thought of last year's telegram about the immediate division of farms, his reply was simple and explicit: "We are an autonomous enterprise, and we do not take orders from advisers."

He is probably right in the legal sense and in objective terms. Peasants do not need advisers to know what kind of recommendations they need and do not need and whether they should divide the farms now or do nothing for the time being. Officials should not waste their fervor for debate on the promotion of collective or private farming, but should simply provide the plowman with the necessary conditions for normal work and free choice. If there is genuine free choice, all of the arguments are absolutely pointless. No farmer in his right mind would start dividing up the agricultural equipment, not to mention the land, just before the start of the sowing season.

Incidentally, in reference to the approach of the sowing season, collective and private farms are deeply in debt because of the current economic policy. During the vote on the budget earmarking 14 trillion rubles of state support for rural communities, the agrarian faction stipulated that half of this amount should be disbursed in the first quarter. Otherwise, there would not be enough time to buy equipment, seeds, fertilizer, and fuel. There is only a month left before the sowing season, and almost no funds have been disbursed. This should be the main concern of the powers that be....

*Livestockmen Advised Not To Look to Government for Support

954E0613B Moscow KRESTYANSKAYA ROSSIYA in Russian No 8, 27 Feb 95-5 Mar 95 p 2

[Article by Olga Tugina: "No Point in Expecting Help from Above"]

[FBIS Translated Text] Last week the RF Ministry of Agriculture and Food organized a live radio conference with representatives of all of Russia's regions. They discussed the situation in Russian animal husbandry just before the arrival of spring.

This winter was the worst ever for animal husbandry. The decrease in output during the season in comparison with average annual indicators was 3 percent for meat, 2 percent for eggs, and 1 percent for milk. The main reasons included the serious shortage of feeds, with the total supply equivalent to only 72 percent of the required amount. The present allocation per standard head is 16.6 quintals of coarse and succulent feed units, which is 0.8 quintals below last year's figure. The livestock in 22 regions are getting only 12 quintals or less.

The majority of farm managers complained that many farms simply cannot survive without state support now that the purchase prices of mixed feeds are eight times as high as they were in 1993, the prices of building materials are nine times as high, and the cost of electricity is 15 times as high. The amount of unpaid back wages is growing, and farms frequently have to resort to payment in kind.

Besides this, problems connected with loans for the sowing season and the extension of credit in 1995 have not been solved. The Ministry of Finance is already deliberating the seventh draft of the decree "On Measures for State Regulation and the Economic Conditions of the Functioning of the Agroindustrial Complex in the Russian Federation in 1995," which was supposed to have been approved on 26 January. This decree is supposed to define all of the terms of agricultural subsidies, credits, and so forth.

Meanwhile, there is some good news for farmers: A government decree on deliveries of mineral fertilizer on preferential terms for the spring sowing was signed recently. Farmers will get the fertilizer at half-price, with no payment due until fall. Minister of Agriculture Aleksandr Nazarchuk, who participated in the conference, assured them that fertilizer subsidies would be twice as high as before.

Only 52 billion of the 1 trillion rubles scheduled for disbursement by the Ministry of Finance in the first quarter for the support of the agroindustrial complex has been allocated in the last month and a half, however.

The minister's report that all of the materials had been collected for a draft government decree on the conditions of bankruptcy may have been no coincidence.

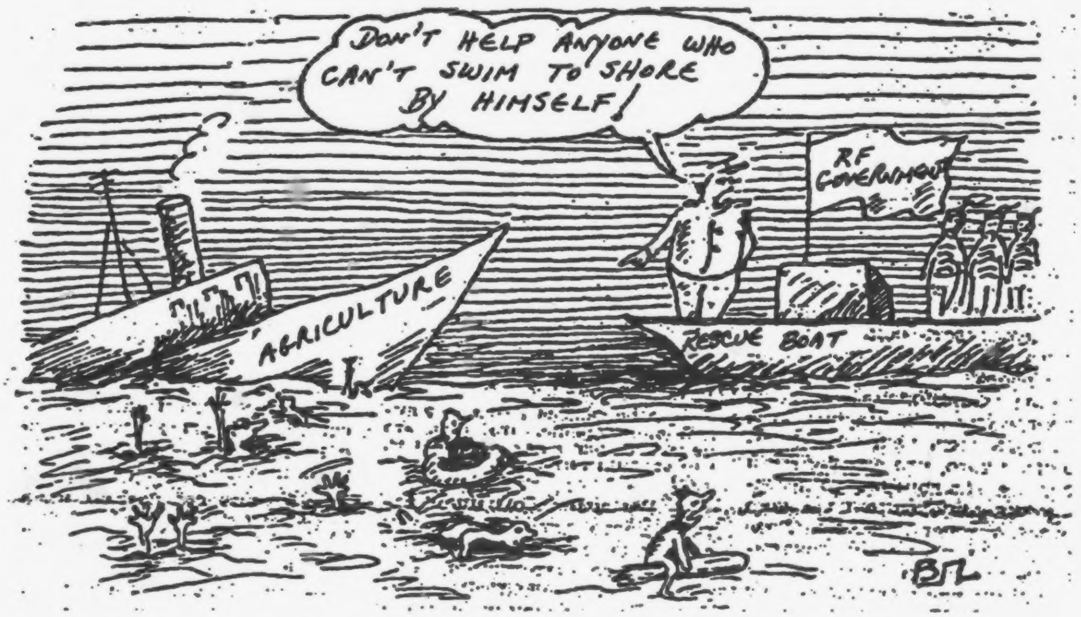
Nazarchuk advised livestock breeders to expect less help from above and to be more self-reliant in supporting their own production units, like the breeders in, for example, North Ossetia, Mari El, and Lipetsk Oblast. "No amount of state support can help those who cannot adapt to market conditions," the minister added.

*Cartoon Shows Rescuers Directed To Save Only Those Who Can Swim

954E0613C Moscow SELSKAYA ZHIZN in Russian 14 Feb 95 p 1

[Cartoon by Vladimir Lepkhanov]

[FBIS Translated Text]

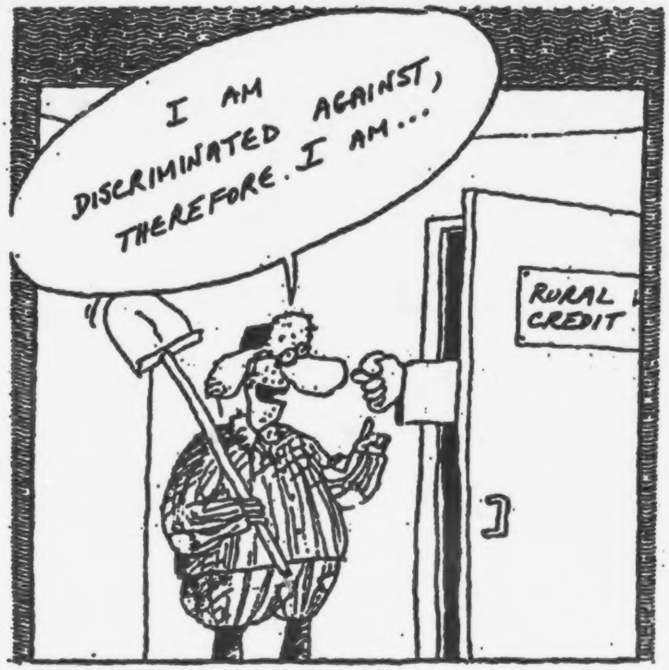

DON'T HELP ANYONE WHO CAN'T SWIM TO SHORE BY HIMSELF!
RF GOVERNMENT
AGRICULTURE
RESCUE BOAT

*Cartoon Showing Peasant Ill-Treated, Ill-Served by Rural Credit

954E0613D Moscow SELSKAYA ZHIZN in Russian 12 Jan 95 p 1

[Cartoon by Vyacheslav Shilov]

[FBIS Translated Text]

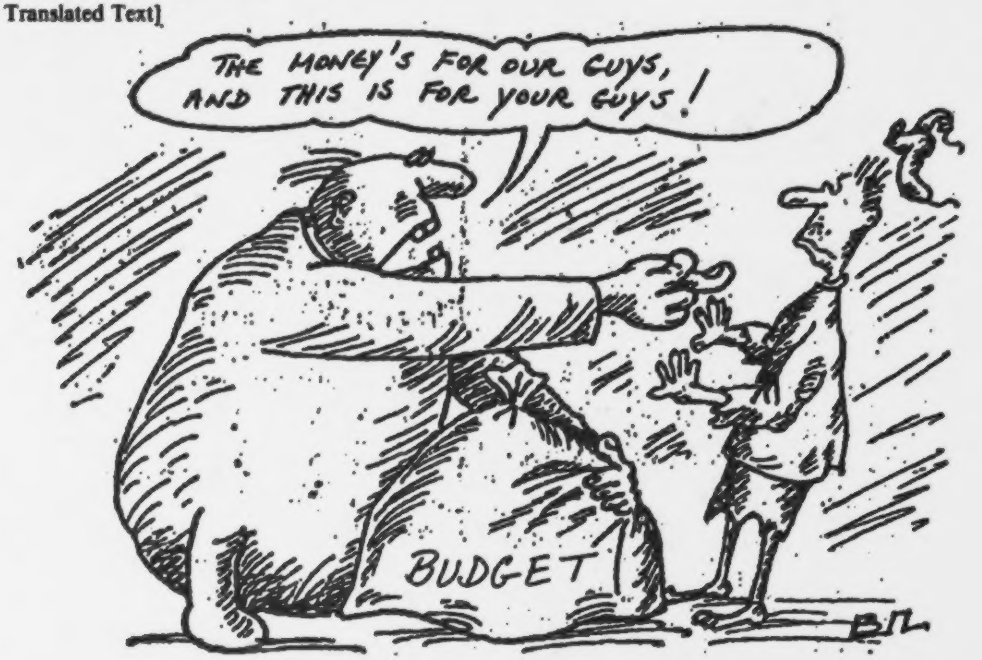

I AM DISCRIMINATED AGAINST, THEREFORE. I AM...
RURAL CREDIT

*Cartoon Shows Peasant Deprived in Budget Allotment

954E0613E Moscow SELSKAYA ZHIZN in Russian 28 Jan 95 p 1

[Cartoon by Vladimir Lepkhanov]

[FBIS Translated Text]


THE MONEY'S FOR OUR GUYS, AND THIS IS FOR YOUR GUYS!
BUDGET

*Number of Peasant Farmers To Continue Dropping, Reasons Cited

954E0613F Moscow KRESTYANSKAYA ROSSIYA in Russian No 7, 20-26 Feb 95 p 2

[Article by Olga Tugina: "The Ranks of Russian Farmers Are Dwindling"]

[FBIS Translated Text] The slogan that was coined a few years ago—"The farmer will feed Russia"—and the boisterous campaign that grew up around it did not do much for farming in our country. After watching movies about successful Western farmers, our citydwellers rushed to the country in droves, especially when they learned that land could be obtained quite easily, without any competitive bidding.

Now that several years have passed, however, we can see that only one-fourth of the urbanites who acquired the land were actually able to work on it. In the other cases the land went to people with no connection to agriculture whatsoever—directors of industrial enterprises and administration chiefs, most of whom simply wanted to be known as "investors."

The farms were frequently headed by people who could not get their bearings in the new economic environment and had no experience in selling products. In Tambov Oblast, for example, 69 of the 1,333 unsuccessful peasant farms were simply liquidated, 55 were ruined by the inability of workers and administrators to handle market relations, and 494 failed because of a lack of funds. These were the most common reasons for the failure of farms in all parts of Russia.

According to specialists from the RF Ministry of Agriculture and Food, there were 279,000 peasant farms in the country at the beginning of 1995, but in September 1994 there were 285,600.

In the past year 27,000 farms failed, and the number of new farms was only 9,200—less than one-tenth the number in, for example, 1992.

Private farmers now own 6 percent of the plowed land and 5 percent of all agricultural land. Their share of the gross agricultural product, however, is only around 3.5 percent.

Another problem is that virtually every one of our farmers wants to have his own agricultural equipment and processing facilities, but the organization of processing within the confines of a single farm is virtually impossible because of the shortage of funds and of the necessary technological equipment. That is why farmers cannot survive without constant support from the state, but it is no secret that the treasury is empty.

Experts predict that the number of peasant farms in Russia will continue to decrease. More or less normal operations will be possible only if the farmers cooperate with one another and with large agricultural enterprises.

National Affairs

Moroz Seeks Trade Union Support

954F1641A Moscow NEZAVISIMAYA GAZETA in Russian 25 Feb 95 p 2

[Article by Vladimir Skachko: "'We Have an Objective Need for Unity'; Aleksandr Moroz Seeks Allies in Trade Unions"]

[FBIS Translated Text] Although the week appeared calm, the two opposing camps—presidential and parliamentary—spent this time regrouping their forces and searching for new ideas and allies. Parliament Speaker Aleksandr Moroz' meeting with the chairmen of the trade-union committees belonging to the Federation of Ukrainian Trade Unions, which has replaced the former official trade unions, was indicative in this respect. Today the "former school of communism" proposed the addition of a social thrust to the new reforms in Ukraine. In a related message to the president, the chairman of parliament, and the prime minister, the trade-union committee chairmen advocated a new system of economic management and new terms of restructuring and deplored the automatic bankruptcy of state enterprises and the consequent rise in unemployment. The labor leaders demanded the quickest possible passage of a law on trade unions by parliament, to restore their right of legislative initiative. The unions requested President Leonid Kuchma to draft a law on social partnership, "applying directly to trade unions, owners, and official agencies, and the consolidation of efforts to prevent social conflicts and surmount crisis-related developments."

When Aleksandr Moroz addressed the union bosses, he agreed completely with all of their demands and stated that the labor movement and the Supreme Council, which also advocates the assignment of priority to social aims in the reforms, are "objectively united in this." In Moroz' words, the reforms that are being conducted in Ukraine today have no precise substantiation or calculations of their results. "We do not know what the efforts at reform will do for the state, its budget, enterprises, and the individual," Aleksandr Moroz said, and then added that all of parliament's attempts to obtain such projections from presidential structures have been unproductive.

Aleksandr Moroz stated that the crisis in Ukraine has reached its culminating point. The crisis will approach its nadir in March, and the possible social conflicts of that time, in the speaker's words, could cause massive upheavals. Moroz believes that the Ukrainian society is the most highly stratified one in the whole post-union territory: 75 percent of the people in Ukraine today are poor, and 1.5 percent are extremely rich. That is why the speaker asked trade unions to take control of the processes of reform in Ukraine, particularly privatization and denationalization, the regulation of consumption funds, relations with employers, the direction of tax policy, etc. According to Moroz, if the trade unions take charge of these matters, "they can expect the support of most of the Supreme Council—99.99 percent of the deputies."

In reference to problems in relations with presidential structures, Moroz said that non-antagonistic confrontation between the executive and legislative branches of government is natural everywhere in the world, and the main objective is to keep the non-antagonistic disagreements from turning into open conflict and to encourage legislators and their political allies to "move away from abstract opposition and take a specific stance on everything."

In a speech on Ukrainian television on 23 February, Moroz said that he saw no advantage in the exacerbation of the conflict with the president, because "we both could lose, and all of Ukraine could lose along with us." This admission, however, is unlikely to lessen the severity of the confrontations, because they have corresponded for a long time to the split between the Ukrainian politicians supporting and opposing the reforms. Aleksandr Moroz, judging by his statements, still opposes to more radical reform, and has particular objections to the categorization of land as a commodity and is against the rigid monetarist policy of the National Bank and part of the government, and this will not promote peace between the branches of government or normal constructive cooperation.

The president was on vacation the whole week and spent the time preparing for his report to parliament on the state of affairs in Ukraine.

*SOTSIS-Gallup Poll Polls Ukrainians on Return to USSR Type of State

954K0508A Kiev DEMOKRATYCHNA UKRAYINA in Ukrainian 11 Feb 95 p 1

[Article by Candidate of Historical Sciences Oleksandr Stehniy, leading research associate of SOTSIS-Gallup, under the rubric "Rating": "Is a Ghost of the USSR Roaming Ukraine? SOTSIS for DEMOKRATYCHNA UKRAYINA"]

[FBIS Translated Text] Neo-Communist forces in Ukraine have recently stepped up activities aimed at the restoration of the Soviet Union. A public opinion survey taken by the SOTSIS-Gallup sociological service on a representative national sample (1,200 persons) at the end of last year and the beginning of this year makes it possible to assess the popularity of the notion of returning to the USSR among the people.

As a rule, the mass consciousness of our fellow citizens identifies the USSR with the rule of the Communist Party.

As the survey of public opinion taken in November indicates, supporters of the resumption of activities of the Communist Party of Ukraine outnumber the opponents of such a solution (44 percent to 31 percent). However, the point is not that a majority of the citizens wish Communist ideas to prevail. The very right of each political organization to operate within the framework of the constitution in effect, that is, an argument associated with the notion of a multi-party system, is the main argument in favor of the resumption of Communist Party activities.

Sociologists asked the respondents whether they believe that the Communists are capable of overcoming the crisis in Ukraine (what sense would it make to vote for them if this could not happen?) In December, 67 percent of the respondents indicated that they do not believe in a "bright Communist future." The distrustful were the most numerous among respondents under age 45 who have college degrees. As far as the regions are concerned, the level of distrust for the Communists reached the highest mark in the west and in the capital (more than 60 percent of those polled in these regions).

So much for politics. What is the attitude of the population toward the system of collective security and economic cooperation?

In the opinion of 40 percent of those polled, a military union with CIS countries, including Russia, may be the guarantor of Ukraine's security after the signing of the Nuclear Non-Proliferation Treaty. The proportion of respondents who expect Ukraine to defend its interests on its own and to have the status of a neutral state not affiliated with blocs turned out to be quite insignificant (17 percent). Likewise, on the average one person in 10 polled sees an alternative to military union with the CIS in the form of cooperation with NATO.

Compared to 1993, the number of supporters of the neutral status of Ukraine has fallen by a factor of two, whereas orientation toward a military union with CIS countries has, on the contrary, increased. Why did the population of Ukraine abandon the concept of neutrality?

It is likely that the abandonment of the nuclear status of Ukraine has influenced mass consciousness. Now that Ukraine no longer has its own "nuclear umbrella" many people have a greater understanding of the need to pool our efforts with those of other countries in order to defend ourselves.

To be sure, certain unfavorable changes in the mood of the public associated with the military confrontation in Chechnya could be expected. The fact that young men from Ukraine could end up among the soldiers of the federal troops in Chechnya in the event of military integration with Russia is particularly significant in the eyes of public opinion.

To a majority of Ukrainian citizens, the CIS is acceptable first of all as an economic union. Prospects for such a development are viewed as a means to cure the Ukrainian economy.

At the same time, public opinion is attuned to mutual relations with the West. In particular, a predominant proportion of the population believes that it is necessary for the International Monetary Fund to extend credit for implementing economic reforms in Ukraine. Two times fewer opponents of such support from the West were found (67 percent compared to 35 percent).

Only 17 percent of those polled in December came out in favor of transforming the CIS into a single union state with common supreme organs of power (actually into the USSR). It is interesting that in 1993 the unification of Ukraine with other CIS member states was considerably more popular (38 percent). Why?

The population of Ukraine has probably appreciated enough the impracticability of overcoming the crisis in this manner, and already has no intention to become united in their new independent state, having perceived its national interests. Civilized forms of cooperation or integration in various sectors are a different matter.

Economic Issues

*Reasons for An-70 February Crash, Future of Project Considered

954F1670A Moscow SEGODNYA in Russian 2 Mar 95 p 9

[Article by Vladimir Sergeyev under the rubric "Investigation": "'We Are Falling'—The Last Words from the 'Black Box' of the An-70: But Certainly the Ukrainian President Did Not Push the Aviators"]

[FBIS Translated Text] The state commission under the leadership of the vice premier and minister of defense of Ukraine, Valeriy Shmarov, which is involved in investigating the causes of the crash of the promising An-70 transport plane which occurred almost 3 weeks ago near Kiev, continues work in the Ukrainian capital. And although the commission has not finished its work, nonetheless, even now certain preliminary conclusions can be drawn.

The "black box" preserved the words of test pilot Sergey Maksimov, captain of the An-70 and chief pilot of the Antonov "firm." The last thing he said was: "We are falling." We know that upon finishing the entire test flight program, he asked the captain of the An-72 plane which was escorting his plane, test pilot Terskiy, to go above him and observe the operation of the flaps.

The general designer of the ANTK [Oleg Antonov Aircraft Research and Development Complex] imeni O. K. Antonov, Petr Balabuyev, emphasizes that the cause of the disaster was a "regrettable mechanical collision" where the An-72 brushed the An-70's vertical stabilizer with its wing.

It is possible, as some people claim, that the An-72 got into the wake or jetwash of the An-70, whose aerodynamics are not yet sufficiently studied, and somehow "dropped down," brushing the experimental plane's vertical stabilizer. Perhaps, as others claim, while performing a left turn, the captain of the An-72 lost sight of and could not see the An-70 until the moment he collided with it.

If the latter indeed took place, what happened should be considered a gross error by the captain of the escort plane.

However, the conclusions of the state commission and, possibly, the investigation should provide answers to all these questions.

We should consider that after the mechanical impact on it of the An-72's wing (a flap was even torn off the latter), the experimental An-70 proved to be partially destroyed. As a result of that, liquid started to leak from the hydraulic system. When pressure in the hydraulic system fell, the An-70 became completely uncontrollable and immediately went into a dive, rushing toward the ground which was only 3,000 meters down.

The crew of the experimental plane was not prepared for such a tragic development of events: there was no warning of trouble. Indeed, everything happened after the planned program had been successfully performed, while they were already flying to the landing site at the plant airfield. Moreover, the An-70, which weighed many tonnes, went into a dive almost instantly after the collision and with such speed that in the extreme situation none of the pilots was even able to reach the hatch through which the "crew abandons an aircraft in distress."

Now people are almost in a state of shock at the Antonov "firm": this is already the sixth crash in the last 4 years, in which 34 test pilots have perished. The general designer of the ANTK imeni O. K. Antonov, Petr Balabuyev, intends to submit his resignation after what happened.

The response to what happened was such that even president Leonid Kuchma made a statement at the end of last week where he completely repudiated as completely unfounded accusations against the republic's supreme leadership who had supposedly pushed the "firm" to test the An-70. This was supposedly done so that the next stage of testing could be completed by this summer, after which Ukraine could demonstrate the plane in the aerospace salon at Le Bourget. Now only a scale-model of the plane will be shown at the Paris air salon.

Yes, it is true, none of the "statesmen" sent written instructions to the "firm" demanding that testing of the plane be accelerated, but we cannot rule out the possibility that perhaps there could have been, say, telephone calls.

Many questions arise when you look at the short year-long "biography" of the An-70. For example, why was its first flight made on the eve of the new year of 1995?

During Soviet times, planes frequently took their first test flight on the eve of the latest anniversary of October or as a gift to the latest party congress. True, even then there were exceptions when a plane took off for the first time on the eve of the New Year (it is appropriate to mention here that the supersonic liner Tu-144 made its first flight on 31 December 1968). Now, when one nonideological date remains, New Year's, the take-off was timed to coincide with it.

The "Antonov firm" had many projects, but priority financing went only for the An-70, which is also no accident: the modern craft for which there were great expectations, above all in the Russian Air Force, was, as people say, headed for use. True, even here everything is not clear: in order to continue the financing of work on the plane in 1995 (and Russia provided 80 percent of this), it was required that the plane take off last year. And the plane took off successfully in December, with a lot of restrictions, it is true. However, this was normal in testing practice which took shape back in the former Union.

The point is that the former USSR's lack of testing devices and testing units which would permit more detailed fine-tuning of experimental aircraft on the ground, unlike the situation in the United States, for example, led to longer periods of testing (roughly twice as long) for domestic aircraft.

At present one An-70 is undergoing statistical testing, and after equipping is complete, it may in principle be used to conduct the interrupted flight tests. There is a second one in the assembly shop: only the fuselage is ready.

The only small consolation for the creators of the An-70 is the fact that the destruction of the first flying model of the plane did not occur because its design was imperfect or because of a production-technological defect; it was the result of a collision with another aircraft, the outcome of which would have been the same for any plane.

*Catastrophic State of Railroads To Be Subject of Conference

954F1670B Moscow SEGODNYA in Russian 3 Mar 95 p 4

[Article by Yuriy Selivanov, Odessa, under the rubric "Problem": "Ukraine's Railroads: On the Threshold of Disaster: The Logic of Survival Dictates the Need for Integration to the Sector's Workers"]

[FBIS Translated Text] In former years, a person who valued time flew on Aeroflot planes, while a person who put his own safety above all else preferred the railroad. Today this tradition can be boldly categorized as obsolete. The accident rate on Ukrainian railroads is growing directly proportional to the degree of their dilapidation.

The recent disaster on passenger train No 1 Moscow-Kiev, which occurred because of a locomotive malfunction, received extensive publicity. Numerous accidents on the railroads of Ukraine itself which have recently been occurring almost every month are less well known. Thus, in January a freight train went off the track in the Zaporozhye region, and as a result, tens of tonnes of oil spilled onto the land. In February a passenger train went down the slope on the roadbed in the region of the city of Balta in Odessa Oblast.

Wear on the electric locomotives which make up the foundation of Ukraine's locomotive fleet comes to 70 percent. More than one-fifth of the length of the main tracks are being operated without complying with the established repair schedules, and generally there is nothing to repair them with. Deliveries of wooden crossties from Russia have been reduced to less than one one-hundredth their former amount, while production of our own ferroconcrete ties is poorly organized. Whereas before the dissolution of the Union, Ukrainian railroads received about 400 new cars, locomotives, and diesel trains a year, these days only a few pieces of new equipment are received. Moreover, domestic production of rolling stock is being cut back. The Lugansk Diesel Engine Construction plant, the largest in Ukraine, is on the verge of complete shutdown.

The policy of isolating itself within the CIS which Kiev continues to follow is having a destructive impact on the transport system, above all railroads. In former years, Ukrainian railroad workers covered around 80 percent of the volume of shipments through Russian freight. Today, as a result of the introduction of draconian rates, Russia is increasingly directing its freight traffic around Ukrainian borders. For this same reason, the largest sea terminals in the region of Odessa and Ilyichevsk, including the unique Odessa-Varna ferry, are working at barely one-third their capacity.

Obviously, after recognizing that following political ambitions will not have good results, the leadership of Ukrainian railroads made the decision to begin moving in the opposite direction. A conference, the largest since the dissolution of the Union, of executive personnel of the railroads of all CIS states and in addition the Baltic republics, which up to now have ignored such forums, is supposed to be held in Odessa in May of this year. Preparations for the Odessa meeting are in full swing—capital repair is underway on all floors of the Odessa Railway Administration building. True, in recent days doubts have appeared that the conference will take place specifically in Odessa. The Russian side is suggesting holding it in Sochi. It cannot be ruled out that in this case, it is not so much a question of geography as of politics. Moscow, it seems, is not very interested in encouraging the integration initiatives of Ukraine, which lays claim to occupying a special position within the CIS.

As for Ukrainian railroads, in the opinion of specialists, if emergency measures are not taken in the very near future, they may be completely paralyzed. A sensible solution is restoring the closely integrated ties which used to exist on the railroads, before the so-called "parade of sovereignties," as soon as possible.

Armenia

*New Deputy Minister on Status of Karabakh Talks

954K0498A Yerevan AZG in Armenian 18 Jan 95 p 4

[Interview with Vardan Oskanyan, deputy foreign minister of Armenia, by correspondent Hakob Asatryan; date and place not specified]

[FBIS Translated Excerpt] AZG already reported that, by a decision of the Armenian government, Vardan Oskanyan was appointed deputy minister of foreign affairs on 27 November 1994. Until that appointment, from 1992 through 1994, Oskanyan served as the chief of the American desk at the Armenian Foreign Ministry. Born in Aleppo, Syria, Oskanyan, 40, is a graduate of the Yerevan Polytechnic Institute. From 1981 through 1983 he continued his engineering education at Tufts University in Boston. From 1984 through 1986 he studied political science at Harvard University in Boston. From 1988 through 1991 he studied at the Boston College of Law and Diplomacy. Between 1990 and 1992 he founded and edited the monthly AIM [Armenian International Magazine] in Los Angeles. The deputy foreign minister recently returned from the Nagorno-Karabakh Republic [NKR] where he met with the NKR leadership. [passage omitted]

[AZG] Did your meetings and discussions [in Karabakh] clarify what issues the sides agree on?

[Oskanyan] After analyzing the Budapest document we came to the conclusion that this round of negotiations is truly critical. The said document embodies serious provisions for the peaceful resolution of the Karabakh conflict as well as the danger that military operations may resume if the negotiations fail. At this stage the primary responsibility to ensure progress toward a peaceful resolution of the problem rests mostly with Azerbaijan.

The logic of the start of the conflict, its development over the last 5 years and, most importantly, the military situation today suggests that it is Azerbaijan's good will, rather than that of Armenia and Nagorno-Karabakh, that should be the driving force for the peaceful resolution of the problem. That good will must manifest itself on the following three points: First, Azerbaijan must recognize Nagorno-Karabakh as full party to the conflict and enter into direct talks o#2 with the Nagorno-Karabakh authorities. Second, Azerbaijan must demonstrate understanding with regard to the demands and factors that guarantee the security of the people of Nagorno-Karabakh. Third, Azerbaijan must take a more serious posture with regard to the political status of Nagorno-Karabakh. It is on these three points that Azerbaijan must realize that the weight of the problem rests on its shoulders, and not on Armenia or Nagorno-Karabakh.

[AZG] Are there differences between the approaches of Armenia and Nagorno-Karabakh?

[Oskanyan] There is no difference over the first point. On the second point there are certain differences of approach. We consider as a basic guarantee of the security of the people of Nagorno-Karabakh the retention of the Lachin corridor at this stage, together with the deployment of peacekeeping forces, the demilitarization of all territories to be returned [to Azerbaijan] and UN Security Council as well as OSCE resolutions guaranteeing that military operations will not resume. Karabakh considers as a basic security guarantee the retention of territories adjoining Nagorno-Karabakh outside the Lachin region, encompassing other territories to the west of Karabakh. We believe that Lachin is a sufficient guarantee because it establishes a link between Armenia and Nagorno-Karabakh. Karabakh authorities believe that that link is not sufficient. Thus military guarantees are needed to make Karabakh feel more secure about its flanks. They think that they can return these flank territories if and only if after the status of Karabakh is finalized.

Finally, in our opinion, after the signing of the political treaty we must go along with the Minsk conference without any preconditions. The outcome of the Minsk conference will be acceptable to Armenia. The Karabakh authorities believe that the concept of autonomy, in all of its forms, is past history for them, that the status of Nagorno-Karabakh must be beyond autonomy, and that the Minsk conference should decide only how far beyond. [passage omitted]

[AZG] You mentioned that military operations may resume if the peace process fails. Is there any deadline for the conclusion of the current round of talks?

[Oskanyan] It is hard to impose any deadlines. However, if Azerbaijan does not demonstrate any good will with regard to these points from the outset, our views may change completely, and one of the sides may reach the conclusion that this problem cannot be resolved by peaceful means. The danger comes primarily from Azerbaijan, because it is they who are most intensely interested in recovering their occupied territories. Karabakh, on the other hand, appears to be satisfied with the present status quo.

[AZG] After the Budapest meeting there was a change in the structure of the top level of government in Nagorno-Karabakh. A president and a prime minister of the NKR were elected. Can this new structure of government in the NKR contribute to the peaceful resolution of the problem?

[Oskanyan] Azerbaijan responded negatively to those changes. In my opinion, the election of Robert Kocharyan [as president of the NKR] must contribute to the peace process because Karabakh has come out of its uncertain status and has made the status of its leadership compatible with the status that has been granted to Karabakh in the talks. Those changes give broader powers to the government to make decisions and enable the leadership of the Minsk group to engage in coequal talks with the Karabakh authorities. It is only Azerbaijan's negative posture that may not contribute to this process. If Azerbaijan genuinely agrees with the first point, that is to engage in serious talks with Nagorno-Karabakh, it should welcome the presidential status of Robert Kocharyan because that makes the progress of the talks easier. [passage omitted]

[AZG] In your opinion, what is the basis of the Azeri argument over the Lachin and Shushi issues?

[Oskanyan] The Azeris believe that time is in their favor and that what they cannot obtain by negotiation in the short run they can always obtain by force. That is what complicates the progress of the peace process. For a moment they were convinced that they cannot solve this problem by force and entered into negotiations, but there were no serious changes in their posture. It is not clear if there may be any changes in this round of talks.

[AZG] Could the political situation in Armenia, in particular the suspension of the activities of the Dashnak Party, have any effect on the peaceful resolution of the Karabakh problem?

[Oskanyan] It will definitely have any effect, but only in the sense that it is always easier to take decisions on foreign policy when there is internal stability and consensus among the various political forces. The Karabakh problem requires the demonstration and affirmation of political will by Armenia and Nagorno-Karabakh. Thus it will be more difficult to take serious and critical decisions in foreign policy if there is no internal unity or a pan-Armenian approach to the problem than if the conditions were the opposite.

*Intelligence Chief on Agency Role, ARF Ban

954K0498B Yerevan HAYASTANI HANRAPETUTYUN in Armenian 17 Jan 95 pp 2-3

[Text of television interview with Davit Shahnazaryan, acting chief of the State Administration for National Security, by correspondent R. Mavisakalyan; in Yerevan on 12 January]

[FBIS Translated Excerpt]

[Mavisakalyan] Our guest on the "Thursday" program today is Davit Shahnazaryan, the Armenian president's ambassador on special assignments and the acting chief of Armenia's State Administration for National Security [SANS]. [passage omitted]

Let us remind our viewers that on this program we will view videotapes related to certain arrests. The videotapes were furnished to us by the SANS. I would also like to remind our viewers that they can participate in today's conversation with our guest. We have three phones in the studio which can be reached by dialing 55-80-10, 65-02-05 and 65-27-60. You can dial these numbers and ask Mr Shahnazaryan questions.

Mr Shahnazaryan I would like to go back a little. Not so far back to the time when we first met in Nagorno-Karabakh where you worked in military uniform. I would like to go back to the nearer past. I recall that in August there was a meeting of the power ministries in the Government Building where President Levon Ter Petrosyan spoke at length about the state security agencies, expressed strong discontent about their work and conveyed his satisfaction that certain positive changes occurred after you were appointed to your current position. I am not saying all these to appease or compliment you. You do not need that. However, it is clear that fundamental changes have taken place at the SANS. What are those fundamental changes? Let us begin with that. How was the KGB transformed over time to become the SANS? I do not ask this question rhetorically, because there are people who say that the SANS has remained the KGB. [passage omitted]

[Shahnazaryan] [Passage omitted] Your question is by itself the subject of a separate and very lengthy discussion. That is because truly big changes occurred during the transition period. I can assure you that the special services suffered the most severe blows in the course of those changes, as demonstrated by the sorry experience of our republic as well as the other former Soviet republics. This happened in Russia, Ukraine and all the other republics with no exceptions. There were many objective and subjective reasons for that. One of the main reasons was that statehood brought with it certain problems with the result that special services were assigned responsibilities they did not have before. During the Soviet period none of the union republics had any special services per se. There was only one overall organization, the KGB, and its various divisions which were structured in a centralized vertical manner. The former Soviet KGB was not in any way accountable to the local authorities. Now we have numerous missions about which [former KGB] officers have no idea. These missions came to the surface after the republics gained statehood. Let me mention a few of them. One basic mission is the one associated with the security problems of our diplomatic and government representatives overseas and counterintelligence services for them. This is a very basic mission that did not exist in Armenia before. Intelligence itself is a new area of activity for Armenia as it did not exist before. Believe me there are scores of such problems. The solution of these problems required not only time but also certain structural changes.

[Mavisakalyan] Mr Shahnazaryan, you recall that some time ago they began to criticize the president of the republic sharply with the accusation that he destroyed the national security organization—I do not say the KGB. They saw that as a deliberate act.

[Shahnazaryan] Yes it was deliberate, and its purpose was to build a special service compatible with an independent state. That it had that purpose has never been concealed. As for the criticism, I can only say on my part that that decision was late by at least two years.

[Mavisakalyan] In other words you think that that decision was essential.

[Shahnazaryan] Of course it was essential. The special service should meet the needs of an independent state at least from a structural standpoint. There is no need to invent anything new on this. Based on our international experience, combined with our nation's special features, our state had to utilize its capabilities to create a structure which could meet its present needs. I am not saying that that kind of structure and service has been created. That requires extensive work over a long time, but I am certain that we are on the right path. Certain things have already been accomplished and more will be done in the future. [passage omitted]

[Mavisakalyan] What do you think? Is our SANS different from the KGB?

[Shahnazaryan] Of course it is.

[Mavisakalyan] But are there not any signs that the SANS could revert to a repressive mechanism?

[Shahnazaryan] That is impossible, and let me say why. The former KGB was fully based on ideology. In the past 90 percent, if not more, of the KGB's work was directed against the so-called "5th column" especially in certain places. That was a political or ideological orientation. That orientation dealt with dissidents and that activity formed 90 percent of the KGB's work. At certain points in time intelligence and counterintelligence fell to fourth or fifth priority. We can see that in the statistics. Take a simple example: How many spies were uncovered in Armenia in 70 years? You can find maybe one person, maybe not even that. In effect the KGB was the armed squad of the Communist Party. As Lenin said, pay attention to the Communist Party, not the state or the government. Today we do not have an ideological direction as such. It is impossible that we can have one. Indeed, the SANS wants to and will become a serious special service which can serve the Armenian state, that is the Armenian people—and only that, without any political overtones. In other words, if tomorrow the Armenian Pannational Movement is no longer the ruling party and the government is run by another party or a coalition, the SANS will serve the legitimate government, because only the legitimate government has the authority to speak on behalf of the Armenian people. There is no other body which has that authority.

[Mavisakalyan] The events of recent days or weeks, the sensational TV address by the president and associated issues that were subsequently reported in the press indicate that the SANS has accomplished tremendous work about which we did not and could not know until recently. Even today it is unlikely that we can know about that work in its entirety, but what was done was truly unexpected for everyone. It may be superfluous to discuss its importance because it is hard to find anyone who can dismiss or minimize what happened, what was done and what has been revealed by your organization. I would like to ask you to elaborate a little on that going back to a little before the president's speech and, if possible, to describe how that fateful speech came about.

[Shahnazaryan] The president mentioned in his speech that the investigations we conducted were related to international narcobusiness. If you recall, there were reports on that subject in both the Russian and the Armenian press. A suitcase had been discovered at Sheremetevo Airport in Moscow, with a secret compartment which contained large quantities of heroin. As you know, heroin is the most expensive and most potent narcotic substance. How were we related to that? That suitcase was found on an airplane that was flying from Yerevan to Los Angeles via Moscow. From that time on we began to work more intensively on international narcobusiness, concentrating mainly on that discovery. In connection with that particular case we began to collaborate with the Russian special services. Our colleagues began to work with agents of Russia's Federal Counterintelligence Service. Very quickly certain operations were launched in Yerevan. It was discovered that the said suitcase came to Armenia from Beirut. We focused our attention on the Yerevan-Moscow flight. I do not wish to get into the details, but let me say without elaboration that we began to acquire operative facts, in collaboration with the Russian special service, on 2 December. On that day certain individuals were arrested in Moscow carrying several kilograms of heroin. The next morning, on 3 December, SANS agents conducted more than ten raids. During these operations several individuals were arrested together with some heroin, large quantities of arms and ammunition and the archive about which you know. Materials from that archive are already being published in HAYASTANI HANRAPETUTYUN.

[Mavisakalyan] The trafficking of heroin and narcotics is not only criminal but also has political significance. As far as I can understand, if propaganda worked correctly or rather if it chose to work correctly, much blame could be placed at Armenia's door. Is that not so? It could be said that narcotics are being transported to Russia and the United States via Armenia. World public opinion could be turned against Armenia. Is that correct or not?

[Shahnazaryan] In reality that is correct. In fact the situation is much more serious than what you described. Since early 1994, we have been receiving information from the special services of various countries that international narcobusiness has turned its attention to Armenia as a transit country. Taking advantage of the conditions you mentioned earlier, that is the fact that Armenia now is an open country, it is now much easier to engage in that kind of activity. We had such information. No criminal activity can hurt a state as much as international narcobusiness. The only other factor that can be more potent is terrorism which can also damage severely the authority of a state in international policy.

[Mavisakalyan] Thus when you uncovered the narcotics, you also discovered arms and men who are not really coincidental—that is they are not minor and isolated individuals or groups—but part of a large organization.

Let us watch the videotape of the search. Let us only say that the search was conducted in a so-called safe house (videotape shown).

[passage omitted]

[Mavisakalyan] Thus this discovery led to the uncovering of a secret organization and the activities of that secret organization, some of which we learned from the president's speech. Now I would like you to elaborate a little more on that as the head of the SANS.

[Shahnazaryan] We need months to describe all the details. As the president of the republic stated all the materials, with no exceptions, will be published.

Now let me make a few general comments about this secret organization. As you know and as the documents suggest, the organization was created by the decision of the Bureau of the Armenian Revolutionary Federation [ARF] as a secret intelligence structure on our republic's territory.

[Mavisakalyan] When you say the ARF Bureau, do you mean the Bureau that operates out of Greece?

[Shahnazaryan] I am quoting literally from their documents. I am stating it the way this portion was mentioned there. I believe this has already been published.

Now the basic directions of this activity.

First, collection of information in the Armenian Republic and intelligence work. Under this heading three types of information were collected: political, economic and military. In this connection serious work was done in collecting information on the Russian armed forces deployed in Armenia and the Transcaucasus in general. This is the first direction of the activity.

The second direction of the activity was legal and illegal economic activity. Smuggling was part of the illegal economic activity. I am not referring to narcobusiness, but to ordinary smuggling.

The third direction was related to international narcobusiness. The fourth and perhaps the most important direction was political assassinations on Armenia's territory.

The said secret organization worked in these four fundamental directions using the methods of the special services of all countries: safe houses, safe boxes, encrypted letters, recruitment and agent networks. [passage omitted]

[Mavisakalyan] Why would they engage in such activity in Armenia?

[Shahnazaryan] It is evident from the materials seized that the party's [ARF's] activities in Armenia was based on that structure and not on the visible elements of the party. Indeed the majority of the members of the party did not know about this structure. It is clearly stated in the bylaws of this secret organization that the party would suspend those of its members that enter this organization. They were simply dismissed from the party. Thus on the surface the party was dismissing them and then they were officially admitted into that secret organization. The president of the republic showed questionnaires that such individuals filled. The questions in those questionnaire fully comply with the questionnaires used by our service. [passage omitted]

*Editorial Examines U.S. Stance on ARF Ban

954K0497A Yerevan LRAGIR in Armenian 25 Jan 95 p 3

[Article by Hovsep Khurshudyan: "What Can Official Washington's Help to the ARF Mean?"]

[FBIS Translated Text] Official Washington has begun to exhibit active diplomacy with regard to the confrontation between the Armenian government and the Armenian Revolutionary Federation [ARF]. Specifically, a declaration issued by the U. S. State Department on 18 January in connection with the suspension of the ARF's activities in Armenia concludes: "The suspension of the largest political party and the closure of its newspapers contravenes the established principles of democracy and freedom of speech. This is especially important because in May of this year parliamentary elections are scheduled to be held. We call upon the Armenian government and the ARF to begin without delay a dialog aimed at the reinstatement of the legal political activity of the Dashnak Party, including the publication of their newspapers which is of great importance in a democratic state." In addition, on the same day, the U. S. envoy to Armenia, Ambassador Harry Gilmore received Vahan Hovhannisyan, the ARF Bureau member responsible for political affairs, and Ruben Hakobyan, the ARF Central Committee's representative in Armenia. During a meeting that lasted 2 hours the participants discussed issues related to the 28 December decree of the Armenian president, the decision of the Armenian Supreme Court to suspend the ARF's activities in Armenia for 6 months and the subsequent tense situation that was created in the republic. The U. S. ambassador expressed the hope that bases of compromise will be found and that the ARF will be given the opportunity to fulfill its mission in Armenia.

In contrast, Moscow has kept quiet with regard to these developments, apparently because it is fully preoccupied with the Chechen conflict and considers any involvement in Armenia's internal political turmoil an unnecessary extra headache. Furthermore, according to our information, official Moscow has banned the state television from discussing the latest developments in Armenia.

Washington's active diplomatic posture can be explained by several factors:

1. The United States is trying to protect the principal opposition force in Armenia from a standpoint of democracy by criticizing the Armenian government for restricting democracy and freedom of speech, thus reducing Moscow's chances to do the same. In addition, such criticism blunts accusations by certain circles in Russia and Armenia that the Armenian government is exclusively pro-American.

2. Lobbying in the United States by the ARF's Armenian National Committee bodies obviously had an influence on Washington's posture. Among other steps, the ARF issued a number of press releases in the United States charging

that the Armenian government has leveled baseless accusations against the ARF in order to silence the principal political opposition. These press releases have been circulated in Washington, in the broad circles where U. S. policy is formulated. Let us recall that the Armenian Assembly of America also gave a chilly response to the Armenian government's decision to suspend the activities of the ARF in Armenia. Specifically, as the NOYAN TAPAN news agency has reported, the executive director of the Armenian Assembly met with Ruben Shugaryan, Armenia's ambassador to the United States, and Zhirayr Liparityan, chief advisor to the Armenian president, who was visiting the United States. The Armenian officials told the executive director that they would like to assure officials of the U. S. government that: a) legality will be preserved in the ongoing investigations and the subsequent trial that will probably be held in the Armenian Supreme Court; b) the temporary suspension of the activities of the ARF and its affiliated organizations is undergoing judicial review in the Armenian Supreme Court; c) the rights and activities of any ARF-affiliated members of parliament have not been restricted in any way; d) parliamentary elections scheduled for this year will be held as scheduled. After these explanations, senior staff members of the Armenian Assembly had meetings with officials of the U. S. State Department and the National Security Council as well as congressional officers to ensure that all humanitarian, technical and economic development aid programs earmarked for Armenia continue without interruption or delay.

3. Finally, no small role must be attributed to the fact that, on the eve of U. S. presidential elections, official Washington traditionally begins to step up its activities to defend democracy and human rights across the world as these are political values that enjoy strong support among American voters.

Let us also recall that the Armenian-Americans have quite a few votes to cast in those elections. No U. S. presidential candidate would "dare" to give up those votes, and in that sense the ARF cannot find much to console itself in these statements of support.

*Political Realignment in Armenia Viewed

954K0497B Yerevan LRAGIR in Armenian 18 Jan 95 p 3

[Article by Hovsep Khurshudyan: "The New Phase of Political Realignment in Armenia"]

[FBIS Translated Text] Armenia's political system is multipolar, missing a strong center. One pole is represented almost entirely by the president of the republic and the Armenian Pannational Movement [APM]. The "right" alliance is made up satellite parties grouped around this pair: The Democratic Liberal [Ramgavar] Party of Armenia [DLPA], the Liberal Democratic Party [LDP], the Republican Party of Armenia [RPA], the Christian Democratic Union of Armenia [CDUA] and the Social Democratic Clarion [Hunchak] Party.

The parties of the right are generally characterized by their strong liberalism with regard to both the economy and social mores. On foreign policy, the rightists are pro-Western compared to the other groups. The National Self-determination Union-Christian [NSU-C] is the only opposition party (that is a party not aligned with the "right" alliance) which stands further to the right of the "right" parties on these and other issues.

Being in control of the government and thus having fused with the state structure (mainly the APM), in the coming elections the parties of the right have the opportunity to take advantage of the various resources of that structure for their own interests (in this context the state television and radio as well as components of the ministries of the interior and defense, the State Administration for National Security and to some extent the judiciary branch could play an important role). However, the continuing decline of the people's living standards and the associated widespread social discontent that surfaces in the form of political discontent do not contribute to the ratings of the right.

The communists are on the extreme end of the left pole. In a poll conducted in the fall of 1994, 20 to 25 percent of the respondents expressed their support for this party—the largest bloc of support among all parties. The support base of the party is made up social segments who miss the old days and who believe the best way out of the current crisis would be the reinstatement of the old system and the return of "universal equality." The party does not have outstanding leaders (the public knows only Badalyan) and does not yet feel the need for such leaders because its appeal is based on the popular perception of the term "communist" and its symbolism. However abrupt changes in this party's ratings before the elections should not be ruled out, given that so far not a single party has engaged in any serious or direct propaganda against the communist party. In foreign policy the party is, naturally, extremely pro-Russian. It is also generally opposed to the privatization of the economy and the liberalization of the market.

Between the rightists and the communists stand the Armenian Revolutionary Federation [ARF] and the National Democratic Union [NDU] (the latter being to the right of the former) as well as the NSU-C and the Armenian Democratic Party [ADP].

In contrast to the Communist Party, the ARF and the APM, the NDU (as well as all the remaining parties) is a party based on cadres rather than masses. With a smaller support base than the other three, the NDU began to take a more active stance, together with Ashot Manucharyan, beginning in mid-1994. It can be surmised that in the next parliament, the NDU and the NSU-C will be the most probable allies of the "right" (assuming, of course, that the APM does not win 99.9 percent of the votes in the parliamentary elections).

Finally, there is the ARF whose activity has been suspended. With a support-level of 15 percent, the ARF ranks second behind the Communist Party among Armenia's parties (based on data from the poll mentioned earlier). An alliance between the Communist Party and the ARF (if one could be formed) could become decisive in the formation of the next government. From that standpoint the maximum possible strengthening of the Communists would be in the interests of the ARF, because that would shift the center of equilibrium between the right and the extreme left toward the ARF. However, the ARF has been suspended (why and with what methods is a topic of another discussion), and the remaining opposition parties have to race to divide up the electoral support of that party among themselves (obviously the ARF's sympathizers and especially its members will not vote for the ruling party and its allies). The most simplistic reasoning would suggest that it would be advantageous for the Communist Party, standing to the left of the ARF, and the NDU, standing to the right of the ARF, to "implant" in their ideology certain basic Dashnak ideas. Thus it would be advantageous for the NDU to become more socialistic and for the Communist Party to become more nationalistic.

Such transformations would bring success to the group that takes a more professional approach to this task and masters the relevant technologies. To that end we would like to suggest to all the parties to spend the resources left over after party banquets on conducting sociological and political research. Such a venture can even make the electoral campaign beneficial (particularly to science).

*Stable Dram, Lower Consumer Prices Reported

954K0497C Yerevan AZG in Armenian 18 Jan 95 p 2

[FBIS Translated Text]

National Currency

Last week was significant mainly because nothing significant happened. The expectations of December, when some bought cheap dollars hoping that it would rise rapidly in early 1995, did not come true. The exchange rate of the dollar indeed rose but very slowly and not much. The picture was reversed in the second week of January. The average exchange rate of the U. S. dollar dropped from 435 to 430 dram representing a decline of 1.1 percent. Meanwhile, the rate for 1000 Russian roubles fell from 107 to 98 dram, representing a decline of 8.4 percent. Over the same period the dollar's value rose by only 3.7 percent in the Moscow currency exchange market, meaning that the rate of decline of the Russian rouble was much sharper in Yerevan's currency market than in Moscow. Evidently the fraudulent activities related to small Russian currency bills contributed to that difference. In transactions at the YFB [possibly Yerevan Finance Bank], the dram remained stable. By the end of the week the dollar's bourse exchange rate stood at 405.84 dram representing an increase of 33 luma over the week. Comparisons can also be made to the mid-January results of last year. At the beginning of 1994, the average exchange rate for the U. S. dollar was 84 dram and that for 1000 Russian roubles was 50 dram. Thus over 1 year the exchange rate of the dollar against the Armenian national currency rose by less than 500 percent while that for the Russian rouble rose by less than 200 percent. That means that the dollar value of the Russian rouble rose by threefold over the said period. Therefore over the past year the Armenian dram followed a course completely independent from the Russian rouble (had it been tied to the rouble the exchange rate of the dollar should be 500 dram now). It should also be noted that the two national currencies devalued by relatively modest amounts compared to what the Russian and Armenian governments had predicted. The Russian government predicted that the dollar would rise to as high as 4,500 roubles by the beginning of 1995 (it actually went up to 3,640 roubles), while the Armenian government predicted that it would rise to 480 dram (it went up to 430 dram). Thus the anticrisis policy that is principally aimed at defending the value of the national currency has worked better than expected, particularly in Armenia.

Consumer Prices

The consumer market began to heat up in mid-January. Having depleted their Christmas stockpiles, consumers pumped up demand and sellers, expecting the increased demand, increased their supplies. However, restrictions on liquidity, caused by delays in payments to civil servants, not only restrained but even pulled down prices. In particular, there were substantial declines in the prices of gasoline (from 260 to 190 dram per liter, a drop of 27 percent), meat (from 1,000 to 800 dram per kilogram, a drop of 20 percent), eggs (from 530 to 430 dram per 10 count, a drop of 16 percent). With prices for bread, dairy products and fruits and vegetables remaining relatively stable, consumer retail prices dropped by 8 to 10 percent over the last week.

Industrial Output

As of the beginning of 1995, the number of working industrial enterprises had risen to 128 (out of the possible 350). Plans to increase that figure further were foiled by the full cutoff of gas supplies (beginning on 12 January). At present this figure is most probably lower.

Azerbaijan

*Supreme Soviet Chairman Views Republic's Political, Economic Situation

954F1696A Baku AZERBAYDZHAN in Russian 3 Mar 95 pp 1-2

[Interview with Rasul Muallim Guliyev, chairman of the Azeri Republic Supreme Soviet, presented on television on 23 February 1995, interviewer not identified: "Interview with the Chairman of the Azeri Republic Supreme Soviet on National Television on 23 February 1995"; place not given]

[FBIS Translated Text]

[correspondent] Rasul Muallim, what is your view of the situation in the republic against the background of the sociopolitical events which have occurred in the 3 years of independence?

[Guliyev] As you know, Azerbaijan declared its independence in late 1991. I want to tell you of some distinctive events which occurred before the republic became independent. One of these was the coup and assumption of power by the GKChP [State Committee for the State of Emergency], as it was called, which occurred in August 1991 in Moscow. The then-leader of Azerbaijan, Ayaz Mutalibov, was one of those who welcomed the GKChP's arrival. He announced to the whole world his desire to see the GKChP's power last a long time. The GKChP's assumption of power in fact meant the end of Azerbaijan's independence. In short, if the GKChP had stayed in power, Azerbaijan would never have become a sovereign state. After the GKChP was overthrown, had Mutalibov been a normal, decent person, he should have, as a supporter of this structure, submitted his resignation. Despite that, he began the presidential election campaign. Undoubtedly, the conduct of the presidential election and his election in September as president was a farce. He would never have been elected president; he became president by juggling votes. Not even 10 percent of the population participated in the balloting. I was a witness to that myself. Despite everything, he declared himself president. At that time processes were moving swiftly on the territory of the former USSR. What were those processes? They were the revolutionary processes of the dissolution of the Soviet Union.

It had already become clear by mid-September that the Soviet Union was breaking up and the republics would acquire independence. But the "president" of the Azeri Republic Mutalibov was categorically opposed to that. He did not want Azerbaijan's independence. Because he knew that he would be unable to govern a republic. He did not have the power to govern a separate state without Moscow's help. The objective processes ended in October with the dissolution of the Soviet Union. Azerbaijan became independent.

After the republic became independent, contradictory processes began in Azerbaijan because Mutalibov was unable to govern the independent Azeri Republic. Moscow no longer governed Azerbaijan, and so a vacuum of state power formed here. Mutalibov tried to fill it by joining the CIS. He looked very hopefully at the CIS as a new form of the Soviet Union, that is to say, he did not treat the CIS as a real Commonwealth of Independent States like the European Union. In his opinion, if the CIS endured, it would become a repetition or likeness of the Soviet Union and someone would once again govern it from above, and that was what he wanted. But the people were against that at this time, or rather against the CIS in Mutalibov's interpretation. Mutalibov, fearing the people's anger, could not find the resolve for such a step and, one may say, completely lost the ability to lead. Most people around him were removed from the people and lacked the ability to govern. In general, in Azerbaijan a situation took shape where a state system was completely lacking. I do not doubt that Mutalibov had a hand in the Khodzhali events to frighten his own people. Mutalibov wanted to use the Khodzhali tragedy, the genocide, to frighten the people. It turned out that we were unable to govern the state on our own without directions from above; someone always has to lead us; we cannot be independent; our people are incapable of that. Unfortunately, he underestimated the Azeri people's potential. Generally he never recognized the Azeri people's potential and does not do so now.

The Khodzhali tragedy, the Khodzhali genocide, brought Mutalibov down. In March he was forced to submit his resignation. After Mutalibov's resignation, the crisis in Azerbaijan got worse and the struggle for power intensified day by day. After a short time, he got the idea (undoubtedly certain forces spurred him on to this decision) to return to power.

At that time there was a strong hatred of Mutalibov among the people, and returning in this situation was of course impossible. In order to realize this goal, steps capable of driving the people into a state of shock were needed. One of these steps was the surrender of Shusha. Unfortunately, during the struggle for power, Shusha was lost. Now we all say that Shusha was the pearl of Azerbaijan. Unfortunately, Shusha was surrendered without striking a blow against the enemy. Mutalibov came to power for one day. Lachin was also lost in the struggle for power. The People's Front came to power. As a result, a 200,000 member army of refugees appeared. Before this time, about 70,000 people had abandoned the Azeri villages of Nagorno-Karabakh. After the surrender of Shusha and Lachin, another 200,000 people were added to them. Thus, 270,000 Azeri refugees appeared on Azerbaijan's territory. During the time of the battles for Shusha and Lachin, that is, not only in this particular period but from 1988 through May 1992, 129 people died, and more than 70 percent of them were ordinary citizens. That is to say, battles were not waged either for Shusha or for Lachin. The people were left leaderless.

After that the People's Front assumed power completely, and in June Abulfaz Elchibey became president. The very fact of his election is questionable. At that time 50 percent of the voters did not take part in the presidential elections. After Abulfaz Elchibey was elected president, the unsuccessful cadre policy which began in May was continued. Beginning with the smallest post and ending with lofty state posts, inexperienced persons who did not have the appropriate education and habits were appointed. The bribery which began during Ayaz Mutalibov's time became even more widespread during Abulfaz Elchibey's rule. No one thought about statehood. No work was done to reinforce Azeri statehood. In fact each state structure worked under an "autonomous regime," and ministries did not coordinate their work among themselves and did not even execute the decisions of the prime minister, who in turn did not listen to the president. Overall, against a background of general anarchy, an amorphous state was created in Azerbaijan. This process continued up until Abulfaz Elchibey left the post. Undoubtedly, this aggravated the situation in Azerbaijan, which was already serious, and intensified the existing crisis. As a result of this, an Azerbaijan army was not created, Kyalbadzhar was surrendered without a struggle, and another 100,000 refugees appeared; and all this led to the June events.

That period in Azerbaijan's army can be called abnormal. For example, at that time the minister of internal affairs, Iskender Gamidov, was working only for himself. He was not working for Azerbaijan's interests at all. The republic had neither a foreign nor a domestic policy. Iskender Gamidov did not listen to anyone and behaved as he wished. The minister of defense, Ragim Gaznev, also considered himself omnipotent and worked only in his own interests. It was as if there were no Azeri state and no president of Azerbaijan. He also worked for himself alone and did not listen to the opinion of others. Panakh Guseynov did not take anyone else's opinion into account as both state secretary and prime minister. He also considered himself the master. Thus, there was no trace left of Azeri statehood. That should have been expected, since they were inexperienced people.

As I already mentioned, the bribery which began under Mutalibov was one of the troubles created by the socialist system. This trouble existed even during the period of the Soviet Union. But at that time in Azerbaijan people were a little afraid of it. Why? In a certain sense because the victims turned to Moscow. Moscow responded and took steps. But those in power were such crude people that after Azerbaijan acquired independence, they formed an exaggerated idea of themselves as the masters here, shahs and padishahs who were permitted everything. These were very bad symptoms which could lead to the destruction of the state system, the people's disappearance from the historical arena, and the break-up of the country. These were dangerous processes occurring in Azerbaijan in this period.

The economy was close to collapse in this period. In 1991, when Mutalibov came to power, economic ties and to a certain degree production in Azerbaijan still existed. Naturally, if there is production, the economy develops in a certain sense, and even if it does not develop, at least it does not move very rapidly toward collapse. But after Mutalibov became president, everything was forgotten. In order to remain in power, he resorted to the most vile actions and, as a result of this, production began to fall very rapidly. However, this did not affect the people's standard of living very much. Because a large amount of finished output had been accumulated in Azerbaijan's warehouses. For example, when the People's Front came to power, 2-3 billion dollars worth of unsold output was in Azerbaijan's warehouses. In view of the fact that this output was not sold during this period, the people did not experience a decline in the economy. But new output was not being produced. By selling the goods, the socioeconomic conditions of the people were to a certain degree maintained. It may be said that from 1991 until the first half of 1993, the Azeri state did not spend anything on military needs. Why? After the dissolution of the Soviet Union, its military equipment, gear, and ammunition passed into the control of the republic on whose territory they were located. In Azerbaijan the Soviet Union had large military bases, ammunition, equipment, buildings, and other property which Azerbaijan got. In all their value was more than 3 billion dollars. True, Azerbaijan was not waging such intense battles at that time. Lands were being surrendered. But during this period Azerbaijan did not spend even one kopeck to acquire this military equipment and ammunition. On the contrary, more than 40 percent of the military equipment and ammunition supplied to Azerbaijan during the rule of Mutalibov and Abulfaz Elchibey fell into Armenian hands. That is to say, when the Armenians occupied our land, the army abandoned all military equipment and ammunition and fled. Leading in this way, they practically nullified the state system of the Azeri Republic. Today it is difficult to even imagine the extent of the damage they did to the foreign policy which was followed until the first half of 1993. They isolated the Azeri Republic in fact from all countries of the world. Let us take, for example, this statement: "I will raise the Azeri flag in Tebriz." This stupid statement belongs to Abulfaz Elchibey, the president of the Azeri Republic at the time. Or another foolish statement, that we have atomic weapons: let us destroy Yerevan and use these weapons against Russia. Such statements turned Azerbaijan into an aggressive country in the eyes of the world and completely isolated it from foreign states. A leader of a state cannot make such statements. Even if such things exist, still there must be no such statements; these statements isolated our country from the neighboring countries of Iran and Russia and all Europe and made relations with Armenia worse. For example, the U.S. Congress adopted decision No 907, which was in conflict with our interests. Let us take the Republic of Uzbekistan. It also has a president, Islam Karimov. No one has the right to interfere in the internal affairs of another state. But these "respected leaders of the state" of ours announced that we were against Islam Karimov because he suppresses the People's Front in Uzbekistan. If the People's Front is suppressed there, public and political organizations can make statements on this. But you, leader of the state, in quotation marks (I say leader of the state, in quotation marks, because there can be no such leader of a state) make a statement like this, for example: "If you do not release Mr. So-And-So, I will cut off ties with you completely." What kind of leader of a state does this? He must be extremely incompetent and ignorant of the history of world statehood to make such a statement! This completely destroyed our newly created state system and led to the June events.

Civil war actually began during the June events. More than 30 Azeris died on 4 June. The situation could have gotten even worse. They were forced to invite Geydar Aliyev. I will say frankly that this invitation was made more than once. That is, Geydar Aliyev did not come after one appeal.

Isa Gambar and Panakh Guseynov met with me more than once and said that they had lost. We know that we cannot lead the country, we ask you to do one thing—speak with Geydar Aliyev and let him come to Baku and assume leadership himself. But we have one more request: Abulfaz Elchibey must remain president, even if only symbolically.

Geydar Aliyev did not respond to even one of the requests; he had no thought of coming. Abulfaz Elchibey called Geydar Aliyev several times: "Please, Geydar Bey, come. The people are having a hard time, and you must get them out of this situation." Geydar Aliyev came only after that.

I participated in many of Geydar Aliyev's talks with Abulfaz Elchibey. Geydar Aliyev said to him every time: you are president and you must remain president; do not worry, all these matters will be straightened out. And what was the result? Abulfaz Elchibey vanished to Keleki. All right, if you want to be president, even symbolically, why flee to Keleki? And so many people were sent for him after he fled to Keleki... In a telephone call I said to him: come back, after all you are the president! He answered the same thing to all appeals: "I am afraid of Suret Guseynov. If I come, Suret Guseynov's people will kill me. So I am not coming." If you are right to be afraid that Suret Guseynov's people will kill you, then what moral right do you have to consider yourself president? Just what kind of president of this country are you if you are afraid that Suret Guseynov's people will kill you? As president you are required to protect all citizens of the Azeri Republic, including from Suret Guseynov's people. If you cannot protect even yourself and fear him, how can you be president? Ultimately he did not come even after many requests, after saying that a referendum had to be held and that he would come only at the people's wish. You know that a referendum was held in August and 98 percent of Azerbaijan's citizens who have the right to participate in voting said "no" to Abulfaz Elchibey.

Generally speaking, I was a participant in all elections held in Azerbaijan. But never had so many people participated in any of them as in that referendum. The atmosphere of civil war begun in June remained in July too, that is to say, the probability existed of another flare-up of civil war. Some military units led by Suret Guseynov reached the outskirts of Baku in June. Armed clashes occurred in the village of Navan and one or two people from the People's Front perished. The leaders of the People's Front, Faradzh Guliyev and others, opened the warehouses and distributed all the weapons to citizens, young people, and others. There were a large number of armed people who held different views and at the same time were unable to resolve problems through talks—that was how it was in Azerbaijan in those days. People who speak to one another from positions of strength always either fight or shoot at one another. They do not know how to reach an understanding. Because they have to have certain knowledge in order to hold talks.

Presidential elections were declared after the referendum. We all know on what level and with what enthusiasm the presidential elections were held. The fact that more than 99 percent of the voters took part in the balloting is also irrefutable. More than 95 percent of them voted for Geydar Aliyev. From Azerbaijan's first steps along the path of independence to the present day, Geydar Aliyev has been the only legitimate president. I can say with complete confidence that all previous elections were invalid. Whoever was in power declared his own man president.

This period was very difficult. Suret Guseynov took the post of prime minister. Even though president Geydar Aliyev undoubtedly knew, as I did, that he was an incompetent person and never could be prime minister. But in that period this was the only way out of the situation. Suret Guseynov had to be given some post, or rather the post of prime minister. Because the people were so dissatisfied with the rule of the People's Front that anyone who opposed this organization was seen as a hero. At the same time, the opinion developed among the people that Suret Guseynov was a leader, an intelligent individual able to bring the Azeri people out of this crisis. However, in my opinion, the interview Suret Guseynov gave right after being appointed prime minister, in late June-early July, created a definite opinion among the intelligentsia that this man was extremely crude. But the people did not understand that yet. Suret was an ambitious man and considered himself exceptionally intelligent, which always made me laugh. For example, it sometimes seemed to me that he did not know the multiplication tables. Generally speaking, I am by nature an emotional person and I did not hide it. This person announced as soon as he arrived: "I will liberate Karabakh in 15 days, at most 2 months. But allow me to conduct reform in the army." At that time Geydar Aliyev was not yet president. This reform began. Particular front zones were set up. The Ministry of Defense and the General Staff were practically eliminated from the army. He was supposedly its leader, the great "general." What was the result? In July-August, Agdamskiy Rayon was lost. During the surrender of Agdam, it became clear that the forces which Suret Guseynov relied upon were largely the ones who plundered the city of Agdam and fled. Their main goal was not to defend Agdam. One of the reasons for the population's withdrawal from Agdam was Suret Guseynov's units. They were the first to arrive and say, "Leave quickly, the Armenians are coming." Then they plundered this city for more than one and one-half days. Whatever was there they dragged off. There were no Armenian units in Agdam for another two days afterward. Unfortunately, the damage Suret Guseynov did to the country has not yet been fully determined or fully calculated, but I believe that this period should also find its reflection in history. In October the nonexistent army, abandoning equipment, left the rest of the land without fighting, without any battles. As a result, Azerbaijan lost so much land that more than a million people became refugees within the country. Finally, in late October-early November, purposeful work to build an army began. The first battles with the Armenian armed forces took place in late December 1993. After the Beylyaganskiy events in January, progress was made and the Azeri Army liberated about 100,000 hectares from the enemy. You know that the war, which began in December, continued until 10 May. After 10 May there was a truce. A cease-fire has been in effect since then and up to the present day.

Undoubtedly, cases of bribery and corruption which took place under Mutalibov and Abulfaz Elchibey were still not unusual after Geydar Aliyev came to power. In any case, there were no fewer then than before. Because it was impossible to stop the bribery and corruption by administrative methods. There has never been a greater dictator in the world than Stalin. But even Stalin's dictatorship could not eliminate bribery completely. Bribes cannot be eradicated by administrative methods, by fiat. The causes which produce the bribery have to be eradicated. And we are doing purposeful work in that direction. For example, 90 percent of the laws adopted by the Azeri Republic National Assembly are focused on eliminating the causes which produce bribery. But, unfortunately, these laws lack a mechanism of execution and they are not being carried out. That is to say, if they were carried out, bribery could be 90 percent stopped and corruption—50-60 percent. For example, we adopted a law on passports. Since 1 January 1995, any citizen of Azerbaijan can obtain a civilian passport to go abroad. Under my proposal, the passport specially notes that if the organization which issues the passport puts up any obstacles, it will bear responsibility before the law. There should be no obstacles. Any citizen can obtain a passport. But, unfortunately... I do not know how much they are in keeping with reality, but I am getting reports that bribes continue to be taken for issuing passports.

[correspondent] One hundred and fifty dollars.

[Guliyev] One hundred and fifty dollars, you say? You know, our people must also fight for their own rights. For example, perhaps many people do not know about this law. They should also know how to defend their rights. Let them, for example, take the law and demand that it be fulfilled or lodge a complaint with us. I would be very glad to receive people who were not issued a passport. Our people are not doing this. And civil servants, although they violate the law, know that they will be punished.

[correspondent] Rasul Muallim, once again bribes are being taken in the administrative organs...

[Guliyev] True. Why do people act that way? Because the conditions exist for impunity. That is to say, no one will punish you for breaking the law. That means there is no mechanism of execution for the law and the law is not being carried out. Laws adopted in fact lose their significance when they are not carried out. But I say that 90 percent of these laws are focused on eliminating bribery and the causes which produce it. I have cited just one example involving passports here. Bribes are taken there, true? But I say that the law records that they do not have the right not to issue a passport.

[correspondent] Rasul Muallim, if the National Assembly is working so much and laboring on these laws which are not being put into practice, have no significance, and are not bringing any benefit to society, what will the result be?

[Guliyev] No, the point is that these laws definitely must be and will be put into practice. They will definitely be put into practice! These laws will also be fulfilled. But everything in its own time. That is to say, if they are not being fulfilled now, that does not mean that we must throw up our hands. These laws will be created and must be created. Their mechanism of execution and people to fulfill them must be found. We must certainly work in this direction! The law exists. Now we must work on its mechanism of execution. So what do I want to say? Why am I citing examples? Bribery and corruption continue to exist as they did before, and they are spreading; we are doing some work on them. As I already mentioned, the National Assembly and the president are working in this direction. For example, let us take the conference on customs held by the president and other meetings. The president is always talking about this, telling stories, making demands. Undoubtedly, at the same time, the government is developing a mechanism of execution, that is to say, it is impossible to eradicate bribery by administrative methods and by fiat. It can only be accomplished by lawful methods. But these laws must be put into practice.

Let us take the period of work of president Geydar Aliyev. President Geydar Aliyev came to power in June, that is to say, he became the chairman of the Supreme Soviet of the Azeri Republic. From July through October, he in fact devoted 90-95 percent of his work day to questions of preventing civil war. That is reality; we can understand that. At that time civil war had already begun in the Azeri Republic, and it could spread rapidly. I am not talking about other places, but if civil war begins in Baku, how will it end? There is no way to predict this in advance. Because the start of a civil war in a city with 2.5 million people can lead to great tragedy. For that reason Geydar Aliyev spent all this time working to prevent civil war.

The battles which began in November-December lasted until 12 May, and they were bloody battles. After a real army began to be created, the Azeri army did not give up an inch of its land without fighting, without battles, and without blood. That is to say, a real regular army was created during this period. Perhaps this does not seem like a very short period of time to you. Throughout this period, Geydar Aliyev devoted most of his time to military questions and to establishing relations with foreign countries. Finally, these countries one after another began to recognize and respect Azerbaijan and express their positive opinion on it.

In May the problem of Suret Guseynov arose. Attempting to gain the sympathies of disabled people and saying, "I have a great deal of respect for disabled people and, you know, not just me but the entire Azeri people should treat disabled people with respect," this worthless man deceived them for his own mercenary purposes. Suret Guseynov opposed the reforms the whole time he was in power. Then came the September events, the murder of our statesmen, and the escape of R. Gaziyev and others from the special prison. Suret Guseynov was involved in all this. Then, in October, there was the attempted coup d'etat. All this was accomplished under the guidance of Suret Guseynov and his stooges. It may be said that the president and his circle devoted 100 percent of their time to resolving these questions. These people, who gathered in Moscow, have not ceased their provocational activity against Azerbaijan for a minute since that time until now. On the contrary, their group has gotten even larger. Mutalibov, Ragim Gaziyev, and Suret Guseynov, who head this group, say that they will certainly come to power. They intimidate people and disseminate leaflets that say, we are coming and we will punish everyone who opposed us; come to our side; and so forth. They are involved in such things.

[correspondent] Rasul Muallim, what do you think, how real is the danger of the Ayaz Mutalibov team to our state system? Is it possible they will come to power?

[Guliyev] As of now no one has the strength or the opportunity or the social base to oppose the state of the Azeri Republic or to change the structures of power. And Ayaz Mutalibov has neither the moral right nor the social base in Azerbaijan, because he has only one design. And here is this design: "I am ready to sell Azerbaijan to any state, only appoint me president." That is all he talks about in all his interviews. If the Azeri people are prepared to accept a person with such a design, these people have no right to a future.

We do not have a law on elections, which is of basic importance for shaping the Azeri state system. This is a very important question. In October we should have discussed and adopted such a law, and then a law on privatization. In October, November, and December, we should have adopted laws on agrarian reform and on the reform of kolkhozes and sovkhozes and a number of other laws so that in 1995 we could begin economic reforms in earnest. That was our firm position and we were moving toward it. In order to prevent this, they wanted to carry out a coup d'etat in late October. But they were in a bit of a hurry, attempting to come to power in early October and stop these processes. For if these processes start up, the people's situation will improve. And if the people's situation improves, it means that the authorities will consolidate their positions. They did not want this. That is to say, improvement of the material well-being and material status of the Azeri people today is not to the benefit of the hostile forces aspiring to power. And they will always try to prevent that. However, despite this, we have already adopted two important laws. Laws on agrarian reform and on the reform of kolkhozes and sovkhozes have been adopted. These two laws in fact cover 52 percent of the population of Azerbaijan. That is to say, reforms can be started among 52 percent of the country's population. Of course, to a certain degree these reforms in agriculture will help improve the material status of all citizens of Azerbaijan in the future.

[correspondent] Recently the opinion has been taking shape in society that there is a certain opposition between Aliyev's government and the speaker of parliament R. Guliyev. Their viewpoints do not coincide.

[Guliyev] I would say that I am one of those who most respect president Geydar Aliyev in Azerbaijan. If not the first, then one of them. After I was elected chairman of the Supreme Soviet, I made a short speech in which I emphasized that my main thrust is to support Geydar Aliyev and his ideological policy and policies in other areas. Then I announced that if disagreements arose, I would submit my resignation. I am not going to work against Geydar Aliyev. There is no conflict between Geydar Aliyev and me, and there cannot be! But opinions may differ when various questions are discussed.

[correspondent] That is natural.

[Guliyev] Yes. Moreover, a lack of differences of opinion is unnatural. And so there are and can be no problems of a, say, confrontational nature or a certain lack of understanding between Geydar Aliyev and me! Or rather, there never will be! Not tomorrow, nor the next day, nor in the future.

[correspondent] It is impossible.

[Guliyev] Impossible. We have a very short history of statehood. But there are countries with the experience of statehood, for example a European state, France or Germany. After 1945 Germany was a completely ruined country. In fact there was no state of Germany in 1945; it had been divided into zones. The entire economy was ruined and the equipment of the remaining plants had been confiscated by the warring states, the Soviet Union in particular. I am citing this example in connection with the present state of our economy.

There was no such concept as the state of Germany in 1945. Germany has begun to build a state since the 1950s. Germany had the experience of statehood. So it did not have to think about creating new structures of government; they had been there since the beginning. But their economy was at zero. Now, in creating our own state, should we utilize this experience or not? But I am not citing Germany alone as an example at all. Let us even take Turkey, or France.

[correspondent] Models of states, all that is best...

[Guliyev] That is to say, from the standpoint of statehood, these models coincide. They may have political and hence internal circumstances which differ from each other, that is to say election laws differ. It may be said that in the state itself, all this coincides and is joined. There were individuals in Germany and in France who began building the state. In France it was General Charles de Gaulle, and in Germany, Adenauer. They were not common, ordinary politicians, they were individuals. In France, for example, the president today is a socialist, Mitterand. See what a strong democratic order he has created. General Charles de Gaulle was a representative of a bourgeois party, and several presidents after him were also representatives of a bourgeois party. But the foundation of this fine democratic constitution today is a socialist president. A system has been created whereby a socialist and a bourgeois-type party coming to power cannot change this order. That is a state! Suppose that I became president and master today: I will give whatever orders I want, and if I feel like it, I will change the system. Let us suppose that an enterprise has been privatized. I do not like it. So do I take it back? It is impossible to build a state with such principles. Categorically impossible! Let us take Germany again. After Adenauer others came to power in Germany, and then came Willy Brandt, the general secretary of the Social Democratic Party. After him came Schmidt. He was also the general secretary of the Social Democratic Party. Then came Christian Democrats and Kohl's team. Adenauer was also an individual, and as an individual he created a state, not believing that after him everything should remain as he left it or that "I am the German people, and if I am gone, then the German people do not exist either." For there are people who live by such principles. Today's personal interests coincide with the present interests of all the people, and they are not disturbed by how the people will live later. Or: just let me be in power, even just temporarily, and they are not interested in what comes later. A state can be built through the efforts of a particular individual. For example, people say: let us create a coalition government, and so on. Personal benefit here is an impossible thing. Certain individuals lay the foundation of the beginning of the state. And they are individuals whom the people trust and rally around. To the Azeri people's fortune, Geydar Aliyev is such an individual. The Azeri people understood this long ago, and I hope that the opposition forces recognize this. Let every person sitting at home or at work see himself as president. And after that let him imagine what might happen to Azerbaijan. For there is today no individual other than G. Aliyev whom the people could rally around.

I have always claimed and continue to claim that a state becomes a state when the specific person who is the president of the country does not play a significant role for the population. Then the claim that a state exists is true. That is to say, a stable order is established and a president who has come to power is unable to make fundamental changes in it.

Separation of powers must be distinct, that is to say, the presidential power, the power of the government, and if they do exist, the power of the supreme legislative organ, the supreme mejlis for example, and judicial power. All of them must be distinctly and formally separated. After this is realized, the assumption of power by any particular person at all cannot affect the state system. We must reach that point. To do that, we must rally around a particular individual, a particular person. Who is that? It is Geydar Aliyev, and only him. It is foolishness not to understand that and blindness not to see it. I can find no other words. I assume that we can start and finish this process in 5-10 years. But in the meantime, assumption of power by force must be recognized as a crime not only by society, but also by the people who are eager to do it. They must recognize that it is a crime against the Azeri people. The only individual around whom we need to rally is Geydar Aliyev. He is the only individual who is needed to create the opportunity to complete the development of the Azeri state!

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*Foreign Ministry Issues Declaration on Armenian Aggression

954F1697A Baku AZERBAYDZHAN in Russian 3 Mar 95 p 1

[Text of "Statement of the Azeri Republic Ministry of Internal Affairs"]

[FBIS Translated Text] It is now 7 years since the start of the Republic of Armenia's undeclared war against the Azeri Republic.

This war, which was thrust on Azerbaijan during the period when it was acquiring independence, was a hardship for the Azeri people and put a heavy burden on the young state's economy. The aggression of the Republic of Armenia led to the occupation of 20 percent of Azerbaijan's territory, and more than 1 million people were forced to abandon their permanent place of residence and become migrants and refugees in their own land. The war caused the destruction of the unified economic organism of the Azeri state and the structure of its national economy.

Armenia's territorial claims on the Nagorno-Karabakh region of the Azeri Republic were the main reason for the war thrust on Azerbaijan. Armenia did not even hide that its main purpose was to split off Azerbaijan's Nagorno-Karabakh region and annex it to the Republic of Armenia. The illegal decision of the ispolkom of the former Nagorno-Karabakh Autonomous Oblast of Azerbaijan in February 1988 on the oblast's withdrawal from Azerbaijan and its annexation to the Republic of Armenia; the decision of the Republic of Armenia parliament dated December 1989 on annexing the Nagorno-Karabakh Autonomous Oblast of Azerbaijan to the Republic of Armenia; and the decision of the Armenian parliament dated July 1992 on the unacceptability for the Republic of Armenia of any international or internal state documents where Nagorno-Karabakh is indicated as part of Azerbaijan were for the purpose of realizing these goals. These unconstitutional and wrongful enactments which were essentially political-legal aggression against a sovereign state, the Azeri Republic, have not been repealed by the Republic of Armenia even now; this confirms its complete responsibility as the organizer and main agent of aggression against Azerbaijan.

During the 7 years of war, the armed forces of the Republic of Armenia have committed thousands and thousands of crimes on Azeri land. The result of these crimes is tens of thousands of persons killed, wounded, and crippled.

Hundreds of populated points have been burned and destroyed; state institutions, agricultural objects, industrial enterprises, objects for medical and social-domestic purposes and for culture and education, transport, and energy and water supply, and other very important life support objects have been plundered; and the integrated communications system of the Azeri state has been disrupted. Architectural, cultural, and historical monuments, mosques, and cultural structures have been destroyed.

Irreparable damage has been done to the region's ecology. One billion dollars worth of damage has been done to the natural world of the occupied Azeri regions as a result of the aggression of the Republic of Armenia, and the aggressors have seized 15 percent of Azerbaijan's entire water basin. There are 260,000 hectares of forests and thousands of hectares of land suitable for agriculture in the occupied territories. Total overall losses of Azerbaijan's economy come to several billion dollars.

Among the crimes committed by the Armenian armed forces on Azeri land, the destruction of the Azeri city of Khodzhaly in February 1992, when about 800 peaceful residents were killed in one night, occupies a special place in terms of its villainy, brutality, and cynicism. The Armenian bandits, having lost all humanity, did not spare either women, children, or old people. They pursued those who broke away from the encirclement and finished off the wounded, which the large number of corpses of Khodzhaly residents in the surrounding forests confirm. Hundreds of killed and thousands of wounded people and hostages were the tragic result of the Khodzhaly slaughter. The Armenian terrorists' barbarous crime in Khodzhaly can justifiably be called genocide of the Azeri people and one of the most brutal mass crimes of the 20th century which essentially went unpunished.

In violation of all norms of international humanitarian law, the Republic of Armenia even now is holding more than 4,000 Azeris prisoner, a large share of whom are women, old people, and children, the peaceful population of the occupied regions of Azerbaijan who were taken hostage. Sixty-two Azeri children alone are being forcibly held as Armenian prisoners today, despite the efforts of the International Red Cross Committee to get them released.

The situation in Azerbaijan which provoked this undeclared war and its position in regard to settling the Armenian-Azeri conflict are finding understanding today among the leading states of the world, the most prestigious international organizations, and the world community. The December 1994 decision of the OBSYe [expansion not given] summit in Budapest on forming OBSYe peacekeeping forces and sending them to the region of the conflict and the resolution adopted at the ICO [Islamic Conference Organization] summit in December 1994, which directly condemned Armenia as the aggressor and demanded the immediate and unconditional withdrawal of its occupation forces from all Azeri territories seized attest to the above.

The 7 years of war have shown that no one can undermine the Azeri people's resolve to liberate the occupied lands or their resolve to preserve the independence, sovereignty, and territorial integrity of their state.

In its actions Azerbaijan has repeatedly confirmed its adherence to the principles of peaceful settlement of disputes and builds its approaches to resolving the Armenian-Azerbaijani conflict on the basis of generally accepted international norms for observing the sovereignty and territorial integrity of states and respect for human rights. But all of Azerbaijan's attempts to find a solution to the impasse of the conflict run up against the barrier of the military forces of the Republic of Armenia, which is trying to consolidate the results of its aggression against Azerbaijan.

The Republic of Armenia's unconstructive position in relation to concluding a peace agreement explains the fact that up to this point there has been no progress in negotiations. The Armenian side still is not demonstrating readiness to approach resolving the problem of settling the conflict from realistic positions. All the efforts and actions of the Republic of Armenia are focused on consolidating its occupation of Azerbaijan's territory, and in addition on violating the international norms and decisions of the OBSYe and improving the status of representatives of the Armenian community of Nagorno-Karabakh in negotiations while completely ignoring the rights of the Azeri community of Nagorno-Karabakh.

The Republic of Armenia, which declares its adherence to the principles of the UN Charter and other basic international norms, in fact refuses to meet the demands of well-known resolutions of the Security Council on immediate, unconditional, and complete withdrawal of Armenian armed subunits from all occupied Azeri territories and the return of refugees and displaced persons to their places of permanent residence. The Republic of Armenia is using the negotiation process to gain time in order to build up its military presence and expand into the interior of Azerbaijan. Ignoring the norms of international law, the Republic of Armenia is implementing a policy fait accompli in relation to the occupied Azeri territories.

The Republic of Armenia, continuing to put its annexationist plans into practice, is now carrying out on the state level a deliberate program of resettling its citizens on occupied territories of the Azeri Republic, after first conducting mass purges of the Azeri population of the region. The Republic of Armenia is organizing fund-raising in the country and among the Armenian diaspora in various countries to finance the campaign of building structures for the Armenian resettlers on occupied lands of the Azeri Republic.

These provocative actions by the Republic of Armenia are a continuation of the most flagrant violations of the sovereignty and territorial integrity of the Azeri Republic and testify to the Republic of Armenia's complete disregard of the norms of international law and the U.N. Charter, as well as the principles of the OBSYe. They are undermining the process of peaceful political settlement of the Armenian-Azerbaijani conflict within the OBSYe framework.

It is especially alarming that these actions coincide with the moment when the OBSYe, following the decisions of the Budapest summit, is undertaking energetic and concrete efforts to create conditions for rapidly reaching a political agreement between the conflicting parties. All these artificially created obstacles delay and complicate the sending of OBSYe peacekeeping forces to the conflict region. They are supposed to help start the process of eliminating the consequences of the Republic of Armenia's aggression against Azerbaijan.

The Azeri Republic reaffirms once again its adherence to preservation of the cease-fire, which creates conditions for rapidly completing negotiations and beginning the peace process, which would lead to complete liberation of all occupied Azeri territories and to the return of the refugees to their places of permanent residence.

Azerbaijan today again calls on all the states of the world, international organizations, and the world community to take effective steps to see that the Republic of Armenia stops its aggression against the Azeri Republic, renounces its tactics of prolonging the peace negotiations and its attempts to perpetuate the conflict, and withdraws its armed forces from all occupied Azeri territories.

Georgia

*Georgian Economics Minister on Economic Situation

[Interview with Vladimir Papava, Georgian Minister of Economics, by Anatoliy Maksimov, DELOVOY MIR correspondent; date and place not given: "'They Don't Light a Kerosene Lamp at Daybreak,' the Georgian Minister of Economics Thinks"]

[FBIS Translated Text] **The person that DELOVOY MIR Correspondent Anatoliy Maksimov talked to has recently become a member of the government and leader of a key ministry.**

Prior to this he directed the Institute of Economics and Law of the Georgian Academy of Sciences. He participated in the development of the state program for getting the republic out of the present economic crisis. Today, when many think that one can talk about the economic potentialities of Georgia only in the past tense, the Minister of Economics is more optimistically inclined.

[Maksimov] Mister Minister, I would like, as they say, to get first hand information about the present state of your country. What is its economic situation?

[Papava] Georgia is in a profound economic crisis. According to preliminary data, the overall volume of industrial output has declined by more than 40 percent in 1994 as compared to 1993. Our enterprises have failed to produce consumer goods and food products in the same volume. Against this backgound the footwear and knitting enterprises have operated with greater stability. A general slump has also enveloped the republic's agriculture. For example, our agricultural enterprises have reduced the sale of grain to procurement organizations by 3.8 times in 1994 in comparison with the previous year.

The sources of the crisis must be sought in the previous period of our economic operation. Georgia has now entered into a hyperinflationary spiral. The country doesn't have its own currency in reality. Although officialy it exists. The coupon (kupon) of the republic's National Bank ought to perform the function of legal tender. But, unfortunately, it doesn't live up to its direct purpose. The population uses the US dollar for savings and the Russian ruble for exchange. According to information from the Georgian Ministry of Finance and independent experts, several tens of millions of Russian rubles were in circulation in the home market in April-October of last year and their number is steadily growing. One can only buy bread and bakery products for coupons in state stores as well as pay for passage on urban transport and for municipal services. And although after the adoption of the anti-crisis program a certain trend towards strengthening the coupon has been noted due to the discontinuance of state subsidy through National Bank emisssions, the sphere of its use has essentially not changed. The conclusion is unambiguous. Hyperinflation and an energy and food crisis are now present in Georgia.

[Maksimov] You are one of the authors of the aforementioned anti-crisis program. Will it yield any fruits or, as some economic observers think, has it come to a standstill?

[Papava] I wish to remind you that a tough financial policy has been underway in our country since September 1994. There are some results: one has partly succeeded in halting the growth of inflation. At the present time the limited volume of cash coupons is already not able to guarantee the non-cash coupons, which now are already 20 times greater than the former. At the same time the restrictions on the part of the National Bank on the issuance of cash coupons so far are not yielding the proper effect. Thought is being given to introducing tough rules which will at least somehow regulate currency operations. The fact that the coupon was not introduced as the sole means of payment on the territory of Georgia from the very beginning was a great mistake.

Now about the second part of the question: does the assertion that the anti-crisis program "is running on empty" correspond to reality? It doesn't. Implementation of the program is going according to plan. The basic components of the economic reform in the republic are in it. Chief among them are financial stabilization, reorganization of state structures, and acceleration of the process of the privatization of state property.

Our people have a saying: "They don't light a kerosene lamp at daybreak." In the present energy crisis this pithy expression acquires another meaning. We see the restoration of our economy, "the light at the end of the tunnel," in the development and strengthening of integration ties with the states of the CIS, primarily with Russia. The signing of the Russian-Georgian Treaty on Friendship, Good-neighborliness and Cooperation in February 1994 has accelerated the extension to our country of credit intended for the purchase of mazut and repair of the Tbilisi GRES as well as of the GES of the Inguri cascade. Our debt to Turkmenia for gas has come to more than

$400 million, and the indebtedness for the transit of fuel is also great. And although from time to time they interrupt the delivery of gas to us, they don't leave us to the mercy of fate...

The recent negotiations in Tbilisi with the President of Ukraine Leonid Kuchma and the signing of a treaty on cooperation between our countries permits one to expect that with the help of the Ukrainians we will be able already in the very near future to strengthen our power engineering not only with petroleum products but with coal. In addition, Ukraine intends to assist Georgia in supplying our enterprises with electric power. There is already an agreement about the joint construction of hydroelectric power stations and the sale of kilowatt/hours to the republic at acceptable prices.

The project of the construction of an Euro-Asiatic corridor for transporting petroleum products from Azerbaijan to Ukraine by transit through Georgia is acquiring more visible contours. The benefit is mutual. Ukraine straightens out the route for the transporting of energy carriers to its country and we have an opportunity to replenish monetary receipts into the budget. An agreement has been signed about organizing bank settlements between the national banks of Ukraine and Georgia. The intention is to create a system of free trade between the two countries.

[Maksimov] In the past year, if one believes the statistics, the budget deficit was simply fabulous. Your government has considered that an attempt to get to realistic prices would help matters. The prices for bread, passage on urban transport, and municipal services have risen a great deal in Georgia. On the one hand, this process is unavoidable and on the other—how much more can one set prices free if more than 70 percent of the population is living below the poverty line?

[Papava] You're right. This process is unavoidable. The prices for this same bread, electric power, and gas were far less than their real cost prior to the carrying out of the reform. We purchased all this at world prices and then sold to the population for next to nothing. And the difference was covered through state subsidies. As a result of such an approach state budget receipts were insignificant. The result was not slow in coming after market regulation of the prices for passage on urban transport and municipal services was introduced. In the fourth quarter of 1994 we have succeeded in creating a non-deficit budget for the first time in recent years.

Of course, it's hard for the people. And it's perfectly clear that in order to live properly our fellow countrymen are looking for a way out. Someone engages in small business, someone becomes a "shuttle," and there are even those who go into the second-hand market to sell an old carpet and to trade in antiques. However, we don't see another way out of the situation that has developed. It would have been possible to go to a gradual liberalization of prices if the state storehouses had been full of grain, vegetable oil and butter and gas and oil had been pumped from our own depths.

[Maksimov] Mister Minister, having decided on certain economic innovations, your country's government counted on the help of the International Monetary Fund and the World Bank. How has the matter turned out?

[Papava] The first help from the international financial organizations arrived in Georgia already in November 1994. However, conditions put forward on the part of the International Monetary Fund and the World Bank had to be observed. One of the chief amongst them is to have our own currency. Obviously, the monetary reform in the republic will take place already in the middle of this year. One can consider the decree recently adopted by our parliament, in which the basic directions of money and credit policy in 1995 are defined, as the basis for such a forecast. According to this document, the National Bank of Georgia, together with the Ministry of Finance and the appropriate governmental commission, are instructed to complete work on the design of a new monetary unit and the determination of the required quantity of banknotes and to draw up an order for their manufacture. We have printed and transported the present coupons from France. As yet I don't know where we will manufacture the lar. I can only say that Ukraine has offered to print the new Georgian money at its mint.

[Maksimov] It had been mentioned briefly in the mass information media that this year's budget in Georgia would be published at the end of January 1995. What sort is it?

[Papava] The schedule of revenues and expenditures, which has been formed taking the recommendations of the International Monetary Fund into account, consolidates what has been achieved in the fourth quarter of last year. The budget has been balanced as one without a deficit. Its revenues and expenditures come to 243,828,000,000,000 coupons... It is intended to obtain more than half the budget revenue—131 billion [sic] coupons—from the sale of goods through the help both of the state credits of international organizations and of the governments of foreign countries.

There is nothing to be done for any country of the former Union either in the financial space of the CIS or in the world community without a firm budget and a stable national currency. The role of the poor relation does not become Georgia.

Latvia

*January 1995 Inflation Statistics

954F1723A Riga DIYENA (V SAEYME I KABINETE MINISTROV) in Russian 27 Feb 95 p 9

[Article by A. Zhigure, deputy chairman of the State Statistics Committee: "On Price Changes in January 1995"; Riga, 9 February 1995]

[FBIS Translated Text] The level of the consumer price index (IPTs) (inflation) reached 103.5 percent in January 1995 as compared with December 1994.

The IPTs changed in the following way:

	Price index (12/93 = 100)	Price change as compared with preceding month)
1994		
January	103.8	3.8
February	107.4	3.4
March	109.2	1.7
April	112.2	2.7
May	112.4	0.2
June	114.7	2.0
July	116.0	1.1
August	118.2	1.9
September	119.4	1.0
October	120.9	1.3
November	123.3	2.0
December	126.3	2.4
1995		
January	130.7	3.5

In January 1995, as compared with December, the rise in prices for individual groups of consumer goods changed as follows: food products—rose by 5.3 percent (in December, as compared with November—by 3.7 percent), clothing and footwear—by 1.6 percent (in December—by 6.8 percent), expenditures for leasing and maintaining apartments—by 1.3 percent (in December—0.7 percent), expenditures for household operation—by 1.8 percent (in December—1.0 percent), for health care—by 1.4 percent (in December—1.5 percent), for transport and communications—by 2.3 percent (in December—0.1 percent), expenditures for leisure activities, culture and education—by 3.8 percent (in December—4.3 percent), for other goods and services—by 3.0 percent (in December—by 1.4 percent), for alcoholic beverages and tobacco items—by 1.6 percent (in December—2.7 percent).

Prices for the basic food products rose considerably in January. For example, the prices for milk and milk products rose by 5.0 percent, including the price of sour cream—by 7.5 percent, cottage cheese—by 6.0 percent, cheese—by 4.4 percent. Meat prices rose by 32.7 percent, margarine—by 30.9 percent, eggs—by 7.1 percent and potatoes—by 31.5 percent.

As before, prices for individual services continued to rise. The cost of attending kindergarten rose by 7.3 percent, of laundry and cleaning services—by 3.7 percent, of hairdressing—by 3.2 percent, attending cultural events—by 2.2 percent, ritual services—by 2.1 percent. In addition, insurance rates changed in January: furniture insurance rose by 73.4 percent and motor vehicle insurance—by 42.0 percent.

Data on the changes in prices and rates are given in the appendix.

*Statistics on Unemployment in Cities, Rayons

954F1723B Riga DIYENA (V SAEYME I KABINETE MINISTROV) in Russian 22 Feb 95 p 9

[Article from Department of Labor Statistics: "The Level of Registered Unemployed in the Rayons and Cities in 1995 (in percent)"; Riga, 14 February 1995]

[FBIS Translated Text]

	1 January*	1 February
On the whole for the country	6.5	6.7
In cities of the republic:		
Riga	2.2	2.3
Daugavpils	10.5	10.6
Yelgava	5.7	5.7
Yurmala	6.3	6.4
Liyepaya	9.4	10.9
Rezekne	15.0	15.4
Ventspils	2.4	2.5
By rayons:		
Ayzkrauklskiy	13.1	13.7
Aluksnenskiy	11.0	11.1
Balvskiy	19.5	18.8
Bauskiy	6.7	6.5
Tsesisskiy	5.2	5.4
Daugavpilsskiy	13.8	13.9
Dobelskiy	8.4	8.7
Gulbenskiy	8.9	8.4
Yelgavskiy	3.5	4.1
Yekabpilsskiy	18.8	20.0
Kraslavskiy	25.3	25.7
Kuldigskiy	9.1	8.9
Liyepayskiy	9.6	9.9

	1 January*	1 February
Limbazhskiy	5.9	6.1
Ludzenskiy	16.5	16.9
Madonskiy	17.2	16.3
Orgskiy	3.1	3.4
Preylskiy	24.2	24.7
Rezeknenskiy	23.3	23.6
Rizhskiy	4.5	4.6
Saldusskiy	2.1	2.1
Talsinskiy	7.2	7.2
Tukumskiy	4.9	4.8
Valkskiy	6.4	6.5
Valmiyerskiy	7.4	7.4
Ventspilsskiy	4.5	4.3
* Data more precise		

For reference

The unemployment level is calculated as the ratio of the number of unemployed to the count of the economically active population.

The economically active population consists of employed and unemployed inhabitants.

The number of employed persons in the national economy includes those employed at state enterprises, in institutions, organizations and entrepreneurial associations, at private enterprises (including peasant farms, farm-attached and personal subsidiary farms, and individual labor). It does not include pupils of working age at educational institutions who are studying without taking part in production.

The unemployed are persons of working age who, in the period under review, do not have work, are actively seeking work, are prepared to start work immediately and have been registered in the State Employment Service.

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